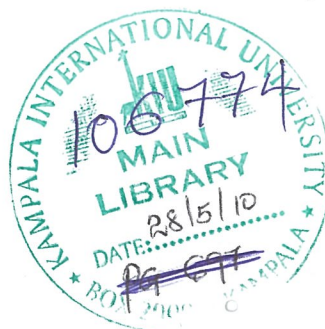


**COMPLIANCE TO AUDITING STANDARDS
IN THE MINISTRY OF HEALTH KAMPALA,
UGANDA**

**BY
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**A THESIS PRESENTED TO THE SCHOOL OF POST GRADUATE STUDIES IN
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DECLARATION

This is to declare that the content of this dissertation is my original work arrived at through reading and field research and has not been published or submitted to any University or Higher Institute of Learning for any academic award.

Signed:.....

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Date:.....



APPROVAL

This dissertation has been submitted for examination with my approval as supervisor.

Signed:.....

Mr. RUTEGANDA Michael
Department of Accounting & Finance

Date:.....

DEDICATION

This study is dedicated to Mr. Musana Michael the Associate Dean School of Business and Management for the opportunity he granted me to be considered into this Programme. God Bless You!

ACKNOWLEDGMENT

I thank the Almighty God for His mercies, unfailing love and providence. I acknowledge Your aid, O GOD! I appreciate Your grace O GOD! Lord, without Your guidance and help, this humble work would not have been possible. Lord you is the glory and honour!!

As I finish this piece of work, I am indebted to a number of people who have provided various kinds of assistance. To you all, I say thanks and may God reward you abundantly. In addition, a number of individuals have particular contributions and I feel that it is imperative to mention them.

The input of my supervisor Mr. Ruteganda Michael was invaluable and precious, especially with his devotion, time and spirit to see that this work is accomplished to a given standard. Were it not been for your help, complements and directives, this might not have been attained. God bless!

In the same way, I also appreciate my Viva Voce Panelists Dr. Novembrieta R. Sumil, Mr. Musana Michael, Mr. Ruteganda Michael, and Mr. Jude Ssempebwa for the advise and compliments they gave to improve on this thesis.

Certainly my colleagues at school and those off school must be mention. I am equally indebted to all civil servants who shared their skills and ideas with me, auditors, accountants and even administrators at Ministry of Health who contributed to this study.

Closer to home, I would like to appreciate my guardians/ parents Mr. and Mrs. Ongom; my sisters Jackie, Barbra, Charlotte, Justine, Violet, Sarah; my brothers Martin, Cyrus, Ivan, Andrew, Paul, Brian, Rene, and Emmanuel. Please the list is no way exhaustive but I deeply appreciate whoever assisted me with information, prayers, courage and morale.

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LIST OF ACRONYMS

1. **CPAs** : Certified Public Accountants
2. **GAAS** : General Acceptable Auditing Standards - U.S.A
3. **GAAP** : General Accounting Principles
4. **AICPA** : American Institute of Certified Public Accountants
5. **IAC** : International Auditing Committee
6. **SAP** : Standard Auditing Practices - U.K, India.
7. **ADB** : An Auditing Standard Board, a body established by the AICPA
8. **GAO** : General Accounting Office
9. **IRS** : Internal Revenue Service
10. **FASB** : Financial Accounting Standards Board
11. **GASB** : Government Accounting Standards Board
12. **IASC** : International Accountant Standards Committee
13. **IFAC** : International Federation of Accountants
14. **MCC** : US Millennium Challenge Corporation
15. **PPDA** : Public Procurement and Disposal of Public Asset Authority

ABSTRACT

The study determined the level of compliance to auditing standards in the Ministry of Health. Auditing Standards in this context implied the general guidelines that aid auditors in fulfilling their professional responsibilities in the audit of historical financial statements. These standards were classified into three (3) major themes namely general standards, fieldwork standards, and standard of reporting.

This review summarizes the literature on auditing standards and compliance levels in the Ministry of Health. It also examines the factors affecting the application of auditing standards in organizations. With the help of questionnaires, interviews, and observations, various aspects were established to determine the extent of compliance in the ministry. Some of these aspects included policies that have been formulated, amended, and represented in parliament and above all, ensuring that standard conventions are promoted to achieve accountability and the effective allocation and use of organizational resources.

In spite of all initiatives in place, international convention standards especially those of auditing have not realized their goals to capacity, thus the study has also tried to provide an analysis of the factors favoring and disfavoring auditing practices/ standards in organizations. Data management, none disclosure and late submission of assertions by management seemed to be the major impediments of auditing practices and standards within the organization.

In a bid to overcome all these, a number of recommendations have been made to increase the effectiveness of international convention standards particularly the auditing standards such as a centralized unit of managing internal auditors' management and control to promote independence and effective audit functions.

CHAPTER I

1.0 Introduction

According to Arens, & Loebbecke, (2000), Auditing Standards are general guidelines to aid auditors in fulfilling their professional responsibilities in the audit of historical financial statements. They include consideration of professional qualities such as competence and independence, reporting requirements, and evidence. The broad guidelines available are the ten 10 general acceptable auditing standards (GAAS), developed by the AICPA in 1947 (W. Robert Knechel, 1998). There are three (3) categories for the ten (10) general acceptable accounting standards: general standards, Standards of fieldwork, and reporting standards. The standards for each category are summarized in figure 2.1 in chapter II.

The level of organizational compliance to auditing standards influences organizational decisions which later determines performance. In case of noncompliance to auditing standards for instance, employment of incompetent and unqualified staff (auditors), lack of independence among auditors and others, management decisions are misled hence leading to poor performance. According to the Oxleys Act auditors shall be liable for their opinions. Auditors will be questionable for their statements regarding the state of their audited entities, which is a good initiative promoting standards.

This chapter presents therefore, the background to the study, problem of the study, research questions, objectives, significance, limitations, and the scope of the study as follows:

1.1 Background to the Study

The continued allegations and summoning of numerous government officials in courts of law for corruption charges has been a great indicator of lack of trust and confidence in civil servants today. On the 14th Feb. 09 (New Vision) World Bank experts urged Africa to manage revenue openly enough in order to turn resources into lasting wealth. Mayorga Albert (World Bank expert) said this can be realized only if an adequate condition is

created for investment using a transparent process. But how can transparency be achieved? There is need for strict compliance to auditing standards as the way forward in fostering the effective and efficient use of resources.

In the past years Ministry of Health was one of those ministries which was highly doubted by the general public and donor community in its use and allocation of funds especially after the Global Funds saga that saw many peoples lives lost in the hands of a few corrupt officials. For this matter the study intended to analyze the level of compliance to auditing standards as factor which oversees and states an opinion alerting government/ on the economic state of its organizations...asking ourselves where were auditors to alert government about what was in the ministry? Where they following auditing standards? Was their political interference, among others?

1.2 Statement of the Problem

On the 16th Feb. 07 (New Vision), the US Millennium Challenge Corporation (MCC) injected a two-year \$ 10m (sh17.6b) programme aimed at fighting corruption in public procurement in Uganda. The anti-corruption programme was part of the former US president George Bush programme of increasing accountability in developing countries. Corruption and lack of accountability is one of the major problems crippling the growth and development of African countries, Uganda inclusive. A series of corruption cases and lack of accountability in the recent years have fluctuated in the courts of law, and yet more and more public officials are still being convicted of corruption under the global fund sager. Just months ago many officials were summoned over the Temangalo procurement land deal, local government official among others, something which has affected the development of our countries. Therefore, this series of corruption cases and general loss of confidence in public servants has prompted the researcher to find out, why in spite of the existence of auditing standards, and practices, there is still deprivation and mismanagement of public assets?

1.3 Purpose of the Study

The purpose of the study was to determine the level of compliance auditing standards (GAAS) in the Ministry of Health; taking emphasis on variables such as, compliance to general auditing standards, field work standards, and standards of reporting.

1.3.1 Specific Objectives

- a) To determine the level of compliance to auditing standards and its effects on organizational performance.
- b) To investigate on factors influencing the effectiveness of auditing practices/ standards within the organization.

1.4 Research Questions

The study was conducted revolving around the following questions. The questions assessed the relationship between audit standard and organizational performance:

- a) What is the level of compliance to the auditing standards in the Ministry of Health?
- b) What factors affect or determine the application of auditing standards in organizations?

1.5 Scope of the Study

The study examined the relationship between auditing standards and organizational performance taking emphasis on causal variables such as general qualification and conduct, field work performance, and reporting results as fundamental factors in influencing organizations decision to determine its performance.

The study was carried out in the Ministry of Health and supplementary areas such as Mulago hospital, and the National Medical Stores. The health sector was chosen because

of its history on corruption over the global fund sager which saw so many officials implicated. Ministry of Health is located in the heart of Kampala city along Kitante-Mulago road in the South. Public service commission borders it in the West, and Laundrel Road in the North.

The study covered the departments of accounting, audit office, finance, procurement, and general administration. These departments constitute the areas of scrutiny by auditors in the ministry. The study covered a period of four (4) months.

1.6 Significance of the Study

The study will enable academicians, administrators, and policy makers understand the importance of auditing standards in influencing performance particularly in terms of promoting accountability and the efficient use of resources in an organization. Secondly, to understand how auditing should be conducted, understand the types of auditors needed in particular situations as a way of promoting organizational decision making process for effective performance

1.7 Limitations

Retrieval Rate was affect by respondents who thought that the researcher was investigating on them. This was characterized by avoidance or dodging of questions which were administered to them.

The other problem faced was bureaucracy and red tape in the ministry (Health) and in other subsidiary sources that the researcher consulted, which demanded me to make prior appointment to see relevant officers who were very busy as if they had already scheduled themselves for other office issues. Most officers also thought that the researcher was investigating on them, which made it difficult for me to extract adequate information from them. Above all, time was a major drawback in the full actualization of the study.

There were various challenges that the researcher faced while collecting data. The biggest challenge was that the study itself was controversial in nature. It had its own internal

challenges during execution. For example some people avoided or dodged critical questions addressed to them while others were a bit hostile.

In spite of the above limitations, counteracting suggestive measures were adopted. For example, in relation to the controversy of the study, repeated assurance about the confidentiality of the study was made which helped minimize some hostilities, bureaucracy and non-response problems. The study being academic, working within the costs, and time frame minimized some costs. Wherever there was need, references from other government organs made me prove the validity of the responses. And lastly, the researcher employed friendly approaches to create good relationship within the organizations.

CHAPTER II

2.0 Review of the Literature

2.1 Introduction

This chapter brings out several ideas, thoughts, explanations and studies held in the field of auditing in regards to standards. 999The chapter too analyses the level of compliancy to auditing standards in the public sector with specific reference to health service provision and accountability in Ministry of Health. It examines statutes, policies, programmes, structures and activities that have been put in place to strengthen auditing standards and practices as a fundamental factor in determining performance.

Specific attention was also given to efforts, which provide the basis of auditing in the country. These include different bodies and institutions that were put in place to ensure that all sectors of the economy adhere to the auditing standards and practices as a way of promoting efficiency and accountability of resources. Some of these bodies that were put in place are the Internal Audit Inspectorate Department, Auditor Generals Office, Public Procurement and Disposal of Public Assets (PPDA) among others.

2.2 Theoretical Perception

There is a correlation between the extent of compliance to auditing standards and organizational performance which determines level of resources use. According to the Risk Sustainable model environmental standards, managerial characteristics and organizational factors cause an auditor to act in a certain way or can an auditor affect them to act in a certain way? to the person or situation as an interrelated whole. In attempting to solve a problem in any functioning you can not achieve to understand it if you cater for particular sub-systems but rather the whole system.

In other words we need to look at the entire setting (environment) of the organization which can be internal or and external in order to come up with an everlasting solution. At

the sometime, the problem solving process must have a good number of people involved, not from the government alone, but also from the society as well.

Government organs such as Internal Audit Inspectorate Department in the Ministry of Finance, Planning and Economic Development, Office of the Auditor General, Public Procurement and Disposal Assets (PPDA) are some of the major institutions established to enforce accounting standards and to ensure that standards are complied as away forward to ensure public accountability and effective resource use. These organs follow the international convention standards such as GAAP. These standards are represented as environment standards, while internal control standards as organizational characteristic in the Crisis Sustainable Model, developed by C. F. Smart, W. A. Thompson, & I. Vertinsky- Journal of Business Administration, Vol. 9. 1978.

2.3 Definitions and Nature/ Classification of Auditing Standard

Auditing standards are general guidelines to aid auditors in fulfilling their professional responsibilities in the audit of historical financial statements (Arens, & Loebbecke, 2000). They include; consideration of professional qualities such as competence and independence, reporting requirements, and evidence. According to W. Robert Knechel, (1998), the broad guidelines available are the ten 10 general acceptable accounting standards (GAAS), developed by the AICPA in 1947. There are three (3) categories of the ten (10) general acceptable accounting standards: general standards, Standards of fieldwork, and reporting standards. The standards for each category are summarized in figure 2.1 of this chapter.

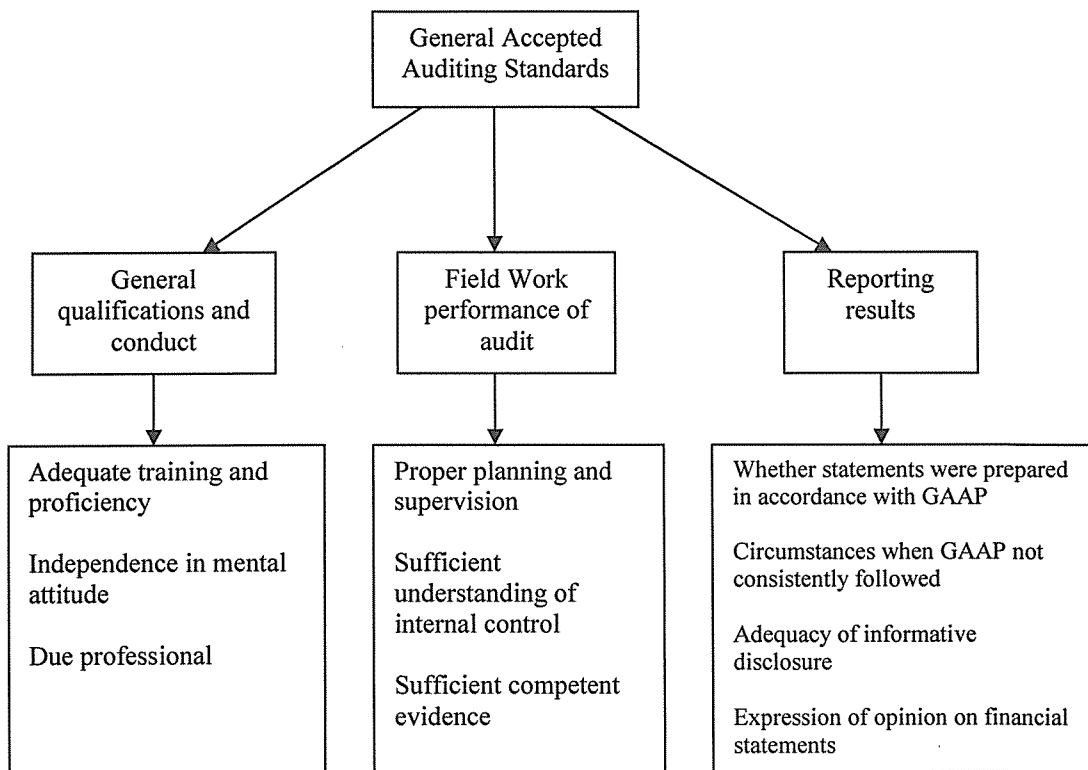
2.4 Classification of the General Acceptable Auditing Standards (GAAS)

There are three (3) major classifications of the GAAS as shown in figure 2.1 below. The extent of compliance to these standards (classifications) represents the causal factors to the study.

- Compliance to General Qualifications and Conduct

- Compliance to Field Work Performance of the Audit
- Compliance to Standard of Reporting

Figure 2.1: Summary of General Accepted Auditing Standards (GAAS)



Source: Arens, & Loebbecke 2000, **“The Auditing Profession”**

The above figure illustrates the overall guidelines for auditing work. They are known as General Acceptable Auditing Standards (GAAS) - U.S.A or Standard Auditing Practices (SAP) - U.K, India. These standards establish the framework within which an auditor decides the necessary action to take in preparation for the examination of financial statements; in performing the examination; and in writing the report. These standards serve to measure the quality of the audit objectives and the acts performed to reach these objectives as explained below:

2.4.1 Compliance to General Standards and Conduct

These standards stress the important personal qualities that the auditor should possess, which includes; adequate training and proficiency, independence in mental attitude, and due professional.

▪ Adequate Training and Proficiency

The first general standard is normally interpreted as requiring the auditor to have formal education in auditing and accounting, adequate practical experience for the work being performed, and continual professional education. Recent court case clearly demonstrates that auditors must be technically qualified and experienced in those industries in which their audit clients are engaged. In any case in which the CPA or the CPA assistants are not qualified to perform the work, professional obligation exists to acquire the requisite knowledge and skills, suggest someone else who is qualified to perform the work, or decline arrangement.

According to consolidated report of inspectorate and internal audit Department (2007/08), it was observed that stores management in Chemotherapy department is poor, and the recommendations that was given by the same report was to ensure recruitment of qualified persons in the stores and other departments in order to realize quality service management. For the effective realization of auditing standards the inspectorate ensures employment of competent staff, and this is explained by the massive responses that were indicated in the study as shown under table 5.1 of chapter five.

▪ Independence in Mental Attitude

This draws mainly from the type of auditor used in an organization. These auditor types can be classified as internal and external auditors. According to O. Ray Whittington (2003), **internal auditors** are normally employee of the organization they audit. They are involved in an independent appraisal activity of the organization as a service to the organization. Their main role is to assist management of the organization in the effective discharge of its responsibilities, while external or **independent Auditors** are either

individual practitioners or members of the public accounting firms who render professional auditing services to clients. By virtue of their education, training, and experience, independent auditors are qualified to perform each of the types of audits (financial statements, compliance and operational). The clients of the independent auditors may include profit-making business, not-for-profit organizations, governmental agencies, and individuals.

According to Irvin N. & William A. (2000), Independence of an auditor, refers to the ability to act with integrity and objectivity. Independence in mental attitude is an indispensable characteristic of auditors. They must be impartial towards all matters that come under their scrutiny and must recognize their ability of fairness to each of the various user groups. By being intellectually honest, auditors can assure themselves that their opinions are unbiased. Independence as required by these general auditing standards is a mental process and is difficult, if not impossible to evaluate completely. There a number of matters, which may threaten or appear to threaten the independence of an auditor such as; undue dependence on an audit client; family and other personal relationship; beneficial interests in shares and other investments among others.

▪ **Due Professional Care**

The third general standard involves due care in performance of all aspects of auditing. Simply stated, this means that the auditor is professionally responsible for fulfilling his or her duties diligently and carefully (Arens, & Loebbecke 2000). As an illustration, due care includes consideration of completeness of the work papers, the sufficiency of the auditors evidence, and appropriateness of the audit report. As a professional, the auditor must avoid negligence and bad faith.

Auditors are required to observe proper standards of professional conduct whether or not the standards required are written to refrain from misconduct which is difficult to define precisely, but which includes any act or default which is likely to cause discredited on himself, his professional body or profession generally (Irvin N. Gleim, 2000). Auditors

must adhere to the general rule that includes professional independence, which is the ability to act with integrity and objectivity.

2.4.2 Compliance to Standards of Field Work Performance

The standards of fieldwork concern evidence accumulation and other activities during the actual conduct of the audit such as adequate planning and supervision; sufficient understanding of internal control; and sufficient competent evidence as follows:

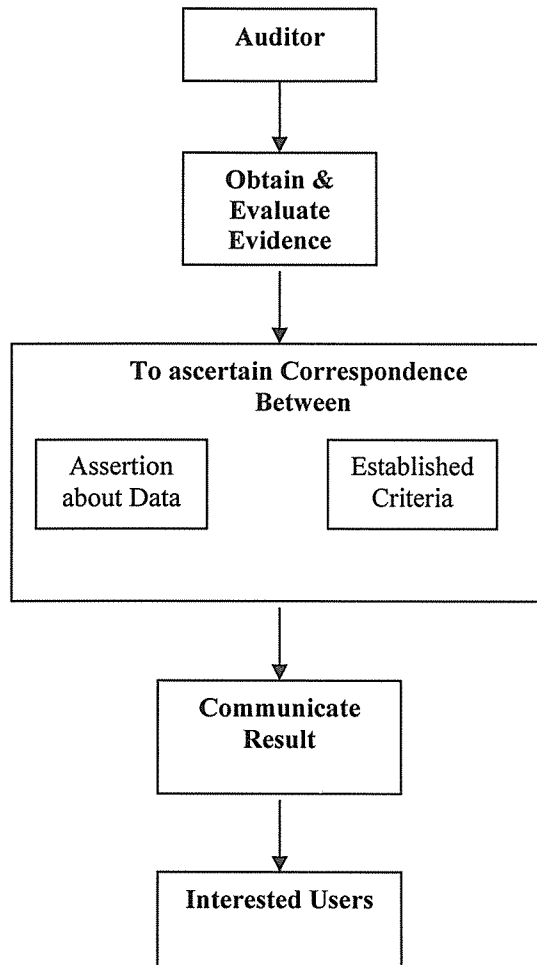
- **Proper Planning and Supervision**

This deals with ascertaining that engagement is sufficiently planned to ensure an adequate audit and proper supervision of assistants. Supervision is essential in auditing because a considerable portion of field work is done by less experienced staff members, so need for guidance and proper following of the audit process is fundamental. According to Larry F. Konrath, Pp 5, (2002), the audit process involves systematic steps of objectively obtaining and evaluating evidence regarding assertions about economic actions and events to ascertain the degree of correspondence between those assertions and established criteria and communicating the result to interested users.

In conducting an audit, auditors must examine the records supporting the financial report of an enterprise, and express an opinion regarding their fairness, and reliability. Irvin N. & William A., (2000), urges that, an essential element of “fairness and reliability” can only be reached if adherence to generally accepted accounting principles (GAAP) is done. Meaning that, auditing is not just a person’s will, but a formal process which is governed and regulated by general bodies (such the IAC, AICPA) to ensure that standards and general auditing principles are followed by all practitioners. Proper planning of auditing involves understanding the audit process. According to Guy, Alderman, and Witer, (1999), the audit process is a logical, purposeful and structured approach to decision making as illustrated below:



Figure 2.2: The Audit Planning Process



Source: Guy, Alderman, & Witer, 1999, Pp 10.

From the above illustration (3), for any audit to happen there must be an auditor. This can be an internal or external, who obtains and evaluates audit evidences or assertions presented by management. After these assertions have been obtained, auditors ensure if these assertions are corresponding with established criteria's, which can be in terms of GAAS or internal control policies. If the relationship is established then an auditor(s) comes up with an opinion, which he/she then communicates to the interested users.

▪ **Sufficient Understanding of Internal Control**

One of the most widely accepted concepts in the theory and practice of auditing is the importance of the audit client's system of internal control to generate reliable financial information. If the auditor is convinced that the client has an excellent system of internal control, one of that includes adequate internal controls for providing reliable data and safeguarding assets and records, the amount of audit evidences to be accumulated can be significantly less than when controls are not adequate. In some instances, internal control may be so inadequate to preclude conducting an offensive audit.

▪ **Sufficient Competent Evidence**

The decision about how much and what type of evidence to accumulate for a given set of circumstance are ones requiring professional judgment. According to Frank K, Buckless (2000) audit evidences are those assertions (representations) forwarded by managers for auditing. The amount of audit evidences collect depends on a number of factors such as the methods used for gathering, management willingness, and others.

Audit evidences can take a form of journals, ledgers, transaction tapes, master files, and other financial records of the organization collectively known as "Books of Account". The question is that whether an item is recorded in the books of account or not. The auditor should be able to trace an item from the financial statements backward through the ledger account to the journal or transaction tape, and to the original source document. Other types of evidences include; mathematical computation, physical existence, documents prepared either internally or external of the company, letters representation, oral statements, interrelation data, and activities, among others.

2.4.3 Compliance to Standards of Reporting Results

According to William F. Messier, Jr. (2000), there are basically four (4) reporting standards that require the auditor to prepare a report on the financial statements taken as whole, including informative disclosures. The reporting standards require that the report state whether the statements are presented in accordance with GAAP and also identifies

any circumstance in which GAAP have not been consistently applied in the current year compared with the previous one. These reports are classified as follows:

Unqualified Opinion report: this is an opinion which is positive and satisfactory. It is sometimes referred to as a clear report because no limits or exceptions are mentioned in it. The first paragraph emphasizes the relationship between the party responsible for the financial statement and the auditor. The second paragraph briefly describes the services the auditor performed, and third paragraph states the auditors' opinion about the degree of correspondence between management's assertion and GAAP.

Auditors are not always able to issue unqualified Opinions. Other types of opinions auditors issue are qualified opinions, adverse opinions, and disclaimers of opinion. The **qualified opinion** states that (1) the financial statements are presented in conformity with GAAP except for the identified deviation, or (2) the audit was conducted in accordance with general accounting standards except that an identified procedure was omitted, and that the financial statements are presented fairly except for the possible effects of the omitted procedure on the financial statements. An **adverse Opinion** states that because of substantial deviation from GAAP, the financial statements do not present fairly the financial position and results of operations. A **disclaimer of Opinion** states that, the auditor does not express an opinion on the financial statements.

When the financial statements presented are not in accordance with GAAP, auditors issue either a qualified or an adverse opinion. The significance of the deviation(s) from GAAP to the financial statement taken as a whole determines the type of opinion issued. When the deviation is so significant that the financial statements are not judged to be misleading, auditors issue an adverse opinion. Generally, when a client for some reason does not permit the auditor to undertake all the necessary auditing procedures, the auditor must disclaim an opinion. An auditor who is independent is required to disclaim an opinion.

2.5 Why we need Standards in Auditing

Although there were numerous reasons why organizations and different sectors of the economy ensure strict adherence to standard and practices of auditing, the most fundamental of all was to maintain quality in auditing. According to Arens and Loebbeck, (2000), these standards establish the framework within which an auditor decides the necessary action to take in preparation for the examination of financial statements, in performing the examination, and in writing the report. These standards serve to measure the quality of the audit objectives and the acts performed to reach these objectives.

These standards comprise the methods used to ensure that the firms (auditors) meet their professional responsibilities to their clients. These standards include the organizational structure of the CPA firms and the procedures the firms establish. Quality controls are therefore those procedures used by CPA firms (auditors) that help in meeting the standards consistent on every engagement (Irvin N. & William A. 2000).

Quality Control: As one of the major reasons of adherence to auditing standards is concerned about ensuring that the firm meets its professional responsibilities to clients and other. These standards include the organizational structure of the CPA firms and the procedures the firms establish. CPA firms must ensure that general accepted auditing standards are followed on every audit. According to W. Robert Knechel, (1998), quality controls are those procedures used by CPA firms that help in meeting the standards consistent on every engagement. These standards establish the framework within which an auditor decides the necessary action to take in preparation for the examination of financial statements, in performing the examination, and in writing the report. These standards serve to measure the quality of the audit objectives and the acts performed to reach these objectives.

Firms of CPA are responsible for auditing the published historical financial statements of all publicly traded companies, most other reasonably large companies, and many smaller

companies and noncommercial organizations. Therefore because of the widespread use of audited financial statements in our economies the need to unify the auditing profession shall highly be embraced. According to Dan M, C. Wayne & Alan J. (1999), the title certified public accounting firm reflect the fact that auditors who express audit opinions on financial statements must be licensed as CPAs. CPA firms are often called External Auditors or Independent Auditors who distinguish them from internal auditors.

Professional bodies of auditing in various countries issued pronouncements on accepted auditing practices and standards for the guidance of their members. Most of these pronouncements like membership with the CPA discuss various auditing practices primarily required for the purpose of expressing an opinion on financial statements. For example, the auditing standards by the Auditing Standard Board, are usually recognized by the auditing profession AICPA (American Institute of Certified Public Accountants), the national organizations of the CPA as persons who should be allowed to manage public accounts.

Standards of Professional Conduct: This is another major aspect that explains the role of auditing standards and practices. Professional accountants are required to observe proper standards of conduct whether or not the standards required are written to refrain from misconduct which is difficult to define precisely, but which includes any act or default which is likely to cause discredit on himself, his professional body or profession generally. This implies that auditors must be professional independence, which is the ability to act with integrity and objectivity.

2.6 Conclusions

The level of compliance to auditing standards can positively or negative influence decisions in an organization, which later on determines performance According to Larry F. Konrath, (2002), the standard of auditing activities such as level of academic qualification, independence, understanding of internal controls among others is fundamental in determining the accuracy and fairness of the audit reports given by auditors about the economic state of an organization. Therefore noncompliance to such

standards would mislead managers at the decision making level hence affecting performance.

CHAPTER III

3.0 Research Methodology

3.1 Introduction

This chapter presents the methodological process of the study. It outlines the research design, area of study, population of the study, sample size, sampling technique, data collection methods, data collection, and data analysis procedures that were used in the study as analyzed below.

3.2 Research Design

A descriptive case study research design was used. The design helped in availing detailed data on the multi sectoral aspects and of stakeholders in the study areas. To present detailed data, a quantitative approach was used. The approach too helped to authenticate the study so as to allow the collection of enriched information from the respondents in their social context. For example, quantitative methods were used to illustrate statistical findings for simplification and easy interpretation.

3.3 Research Environment

The study was carried out at Ministry of Health headquarters in Kampala, and other supplementary areas to the study such as Office of the Auditor General. Ministry of Health was selected amongst other areas because it is one of those ministries which suffered severe tendencies of lack of accountability on the Global fund that was meant to treat TB, Malaria and AIDS patients.

3.4 Population of the Study

The study covered Ministry of Health head offices, Office of the Auditor General, and other supplementary areas such as Mulago Hospital. The population of the study was composed of auditors both internal and external, accountants, procurement officers and randomly selected employees from other departments at the ministry. The study too

included both senior and junior officials irrespective of their age, sex, tribe, and nationality.

The study population was 36 people, with 22 male and 14 female. Out of these 09 were from the auditing unit, 7 from both accounting and procurement units, and 20 from the administration department. Other personnel were used to supplement the study from the Office of the Auditor General, and some from Mulago Hospital.

3.5 Sample Selection

Different sampling techniques (both purposive and stratified) were used to select these respondents as well as to fit in the research complexity (which involved identifying and categorizing the personnel at the ministry). Purposive technique helped to make the study convenient. For example, I used the Office of the Auditor General though it was not my study area to interlink the actors who were randomly selected to fit within the resource budget. I used the stratified sampling method to group the respondents to ease data analysis. However, a non bias method was maintained. The fear by officers being investigated upon made it difficult to collect data from them, but it was helped by strata's. In other wards all these sampling techniques were interchangeably used whenever need arose.

The population was divided into parts and the sample was carefully selected using R.V. Krejeie and D.W. Morgan (1970) analysis and data obtained gave an accurate picture of the whole population. The sample consisted 4 categories of respondents that included: 09 auditors both internal and external, 4 accountants, 3 procurement officers, and 20 administrators from the Ministry of Health. Other personnel from the Auditors General Office, and Mulago Hospital were also used to supplement the study.

Table 3.1: Respondents of the Study

Strata	Sample Size	Actual
Auditing Unit	10	9
Accounting Section	07	04
Procurement Office	06	03
Administration Department	27	20
Total	50	36

Source: Field Study

3.6 Source of Data

Primary and secondary data were used throughout the study. Primary data was collected through questionnaires that were in relation to the following variables, compliance to general standards and conduct, field work policies, and standard of reporting, their effects on organizational performance.

3.7 Data Collection Methods/ Instruments

The study basically used three methods and these included interviews, observation and reading documents. To obtain enriched data, various data collection instruments were used throughout the study which included:

3.7.1 Field Consultation

Field consultations were held with stakeholders including senior officers, and relevant departmental officials at the ministry. These consultations focused on the perception, priorities, and experience of personnel especial auditors, policy makers, implementers, and users of services to determine the level of compliance to auditing standards/ practices and its effects on performance.

3.7.2 Unstructured Interviews

These were sets of questions that I used to interview my respondents. This made it possible for me to obtain data required to meet specific objectives of the study. Open-

ended interview guides were used for all categories of respondents who constituted the auditing, accounting, procurement and administration section of the study. Open interviews never limited the respondent in answering the questions, which was an advantage to me in terms of getting detailed information about the study.

3.7.3 Questionnaires

These were written questions that I delivered to the targeted respondents of the study. These questionnaires were administered to all the 36 personnel who constituted the study population. They were very objective regarding to the content of the study, and the reason why I chose to use them is because they seemed convenient to the respondents. This enabled me get different views regarding the relationship between auditing standards and organizational performance.

3.8 Data Processing and Analysis

Data was examined in accordance with the objectives of the study. To minimize errors, data were collected, entered and organized, edited, coded, reviewed, transcribed and backed up to mitigate uncertainties. To ensure data authenticity, all the above were done at each and every stage attained through out the entire cumulative process. In other words, data analysis was an ongoing process as collected. Whenever possible it was done even as close to the field. For the purpose of conformity, data was stratified in to small sub-headings but in line with the objectives and research topic. This not only made the work easier for me, but will also make it easier for readers who will wish to analyze the data's entirety. At the end of it all, it was possible to triangulate the research into a finished research study.

3.8.1 Qualitative Data

Qualitative data was analyzed thematically. This was done through organizing data by use of field notes from interviews, which was edited and cleaned up as data was being organized; the researcher also created themes, and patterns. Secondly, the researcher established the relationship among categories by using codes that were assigned by use of a computer or manually. Thirdly, the researcher evaluated and analyzed the data to

determine the adequacy of information and credibility. This was done by answering the research questions. The report gives an analytical view, citing the significance, and implications of the findings.

3.8.2 Quantitative Data

Data collected was analyzed using statistical methods to come up with frequencies, percentages, and diagrammatical expressions. Descriptive statistics were also used to summarize in a single number such as average deviation and index numbers. Data collected on self-administered questionnaires were checked at the end of each interview day by me to ensure uniformity, accuracy, consistency, legibility and comprehensiveness. Microsoft office 2003 was used to code and tabulate data using simple tables and percentages from the analysis. With the help of the formula below data was analyzed:

$$\text{No.} = \frac{\text{No. of Responses}}{\text{Total Number of Respondents}} \times 100$$

3.9 Ethical Consideration

To do with all forms of suspicion before, during and after the study, attention was put on getting permission from the management of the key respondents. Due to the nature of the study, confidentiality, non judgmental principles and individualism was given due consideration plus any form of anonymity among respondents who were attended to. An introductory letter from the School of Post Graduate Studies, backed by the identity card was used for identification throughout the research study whenever necessary.

CHAPTER IV

4.0 Presentation, Analysis, and Interpretation of Data

4.1 Introduction

This chapter presents, analyses, and interprets the data in detail the findings of the study, and their interpretation. Data was collected under three (3) major themes of auditing standards namely; general standards, field work standards and the standards of reporting audits as presented below:

4.2 Profile of the Respondents

Table 4.1: Showing Gender at the Ministry

Department	Gender	
	Male	Female
Audit	6	3
Accounts	2	2
Procurement	1	2
Administration	13	7
Total	22	14

Table 4.1 above shows that out of the 36 respondents who were examined 22 were male, and 14 were female. Though the distribution of gender was not equal it was not significantly imbalanced, something that indicated that gender balance is relative for the study to exhaust its purpose.

Table 4.2: Showing Gender at the Ministry

Department	Age Brackets					
	20 - 29	30 – 39	40 – 49	50 - 59	60 - 69	70 - 80
Audit	3	3	2	1	-	-
Accounts	2	-	1	-	1	-
Procurement	1	1	1	-	-	-
Administration	4	4	4	6	2	-
Total	10	8	8	7	3	-

Table 4.2 above shows that out of the 36 respondents who were examined 3 were 60-69 years old, 7 were 50-59 years old, 8 were 40 – 49 years old, 8 were 30-39 years old and 10 were 20 -29 years old. This indicated an equal distribution of jobs between the aged and youth at the ministry in these respective departments. For this matter a more diverse level of findings regarding standards of auditing were obtained from all age brackets.

Table 4.3: Showing Marital Status of the Respondents at the Ministry

Department	Marital Status		
	Married	Divorced	Single
Audit			
Accounts	7	-	2
Procurement	3	-	-
Administration	16	-	4
Total	26	-	6

Table 4.3 above, shows that out of the 36 respondents who were examined 26 were married people, 6 were single and none was divorced. More than three quarters of the respondents were married. This reflects a high level of responsible and integrity amongst the people entrusted with this office.

Table 4.4: Showing Positions of the Respondents at the Ministry

Department	Position in the Ministry		
	Principal	Seniors	Assistants
Audit	1	3	5
Accounts	1	1	2
Procurement	1	1	1
Administration	1	9	12
Total	4	14	20

Table 4.4 above indicates that 4 principal officers, 14 seniors and 20 assistant officers were examined. With this whelming number especially in the senior staff exhaustive data is believed to been collected regarding compliance to auditing standards at the ministry. Some of these people were physically interviewed to obtain nonverbal clues about the study.

4.3 Compliance to General Standards

These standards stress the important personal qualities that the auditor should possess, which includes adequate training and proficiency; independence in mental attitude, and due professional.

To establish the level of qualification/ training, experience, and independence of auditors questions such as (a) what is your academic level i.e. Masters, Degree or Diploma? (b) Membership of any: CPA, ACCA? (c) Number of years spent in the auditing profession? Number of workshop about auditing attended? Were administered

4.3.1 Adequate Training and Proficiency

The first general standard is normally interpreted as requiring the auditor to have formal education in auditing and accounting, adequate practical experience for the work being performed, and continual professional education. Recent court case clearly demonstrates that auditors must be technically qualified and experienced. In any case in which the CPA or the CPA auditors are not qualified to perform the work, professional obligation exists to acquire the requisite knowledge and skills, suggest someone else who is qualified to perform the work, or decline arrangement.

▪ University Level

Although the Auditors General Report of 2007/08 cited some incompetent staff in the ministry particularly in the store department, the study indicated overwhelming numbers of competence in the auditing department/ unit by (09)100% of the respondents having university qualifications; Masters, Degrees, or Diplomas, some even had both Degrees and Diplomas; none of the respondents were below university level. This overwhelming numbers shows that the Accountant General and the Auditor General recruit qualified people to do work.

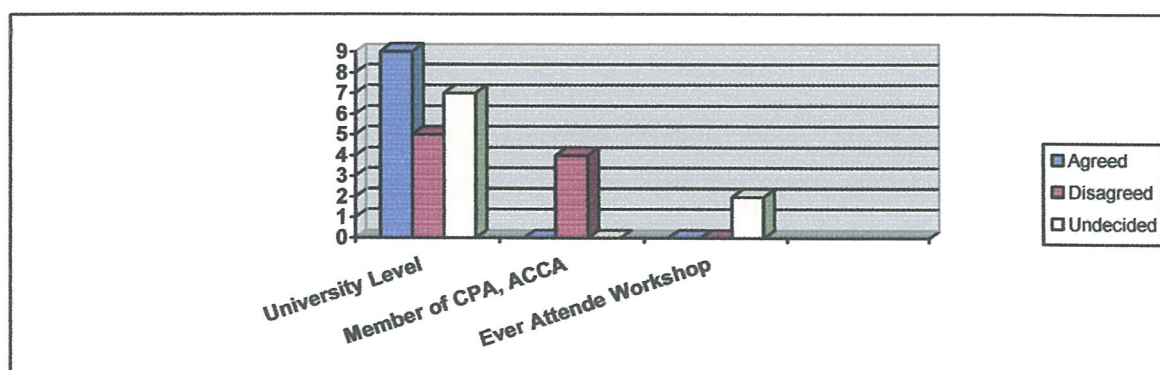
▪ **Members of CPA, ACCA**

The study also indicated that over half of the entire auditing team 05(55.6%) were members of the CPA, or ACCA. This level of academic qualification indicated no doubt on the personnel that constitute the auditing department of this ministry, something commendable in the fight against corruption and promotion of efficiency and accountability in any given organization. According to the Auditing Standards Boards (ASB) all auditors must be members of the CPA to professionally be able and competently perform their responsibilities diligently and for matter of quality control, especially in the civil service (Arens and Loebbeck, 2000).

▪ **Number of Workshops Attended**

Research also indicated that personnel (auditors) were very much involved conferences and workshops concerning accounting and auditing matters in order to update themselves with current issues (new standard and others). A majority 07 (77.8%) agreed that they attend various conference and workshops organized by government, anti-corruption institutions and non-governmental organizations such as World Bank and the rest. None of the respondents denied attendance, and only a proportion of 02 (22.2%) absconded, and these were newly recruited staff.

Figure 4.1: Showing the Rate of Qualifications, Training and Workshops Attendance



Source: Primary Data

From the above figure 4.1, it was indicated that all personnel employed in the auditing department were highly educated, 9/9 respondents who were examined all had university qualification, either Masters, Degrees Diploma or both. It was also indicated that 55.6% of the respondents were members of professional bodies such as CPA, ACCA, something which indicated that the inspectorate employs competent people.

4. 3.2 Independence in Mental Attitude

According to Irvin N. & William A. (2000), Independence of an auditor, refers to the ability to act with integrity and objectivity. Independence in mental attitude is an indispensable characteristic of auditors. They must be impartial towards all matters that come under their scrutiny and must recognize their ability of fairness to each of the various user groups. By being intellectually honest, auditors can assure themselves that their opinions are unbiased

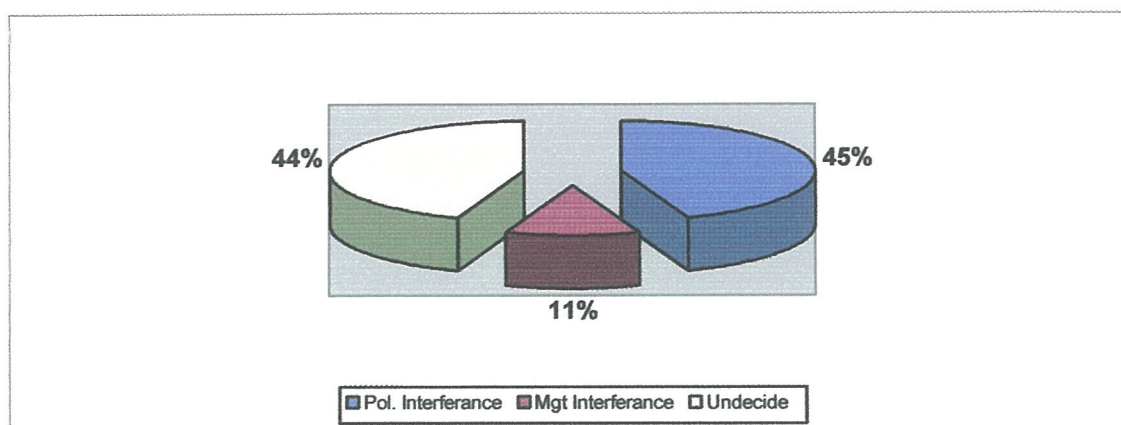
- **Political Interference**

Although the study cited some political interference, the magnitude at which it is, is fairly low compared to that of 2006/07, where massive global funds were corrupted. The study indicated that 04(44.4%) of the auditors agreed of political interference, 02(22.2%) disagreed, and 03(33.3%) were undecided. These figures show that a milestone has been reached in the fight against corruption, abuse of office and diversion of funds, which explains the concept of accountability.

- **Top Management Interference**

In the same way, research also indicated a minute 01(11.1%) response of top management interference in the auditing practices, 08(88.9%) disagreed, and none of them undecided. These figures indicate the increasing respect and institutionalization of auditing practices, which is a very important step in fighting corruption and promoting accountability in terms of none-distortion of auditor perception, and decisions to provide true and fair opinions regarding performance.

Figure 4.2: Political and Management Interference (N = 9)



Source: Primary Data

From the above figure 542, out of the 9 auditors who were examined, 45% agreed that political interference still existed, 11% agreed of management interference, and 44% were undecided. The high rate of political interference was still attributed to lack of strict laws, for instance several reports have been written by the Auditor General questioning certain activities in ministries and various government sectors, but it is of rare circumstance even not at all that an accountant was implicated by PAC.

4. 3.3 Due Professional Care

As the third general standard, this involves auditor professionally fulfilling their duties with due diligence and care (Arens, & Loebbecke 2000). It includes completeness of the work papers, the sufficiency of the audit evidence, and appropriateness of the audit report. Questions asked to derive this were related to the amount of evidences gathered and the availability of assurance services:

- **Amount of Audit Evidences**

Research indicated that, there was conflict of interest within the organization however with a minute figure of 03 (55.6%), mismanagement quite a lot by about 05(55.6%), and bribery massive with 07(77.8%). The high figures in mismanagement were coded to

unqualified staff/workers in other departments. No clear reasons were given to explain the massive numbers of bribery apart from greed and egoism amongst some people.

4. 4 Compliance to Standards of Field Work Performance

Standards of fieldwork performance are evidence accumulation and other activities involved during the actual conduct of the audit such as adequate planning and supervision; sufficient understanding of internal control; and sufficient competent evidence.

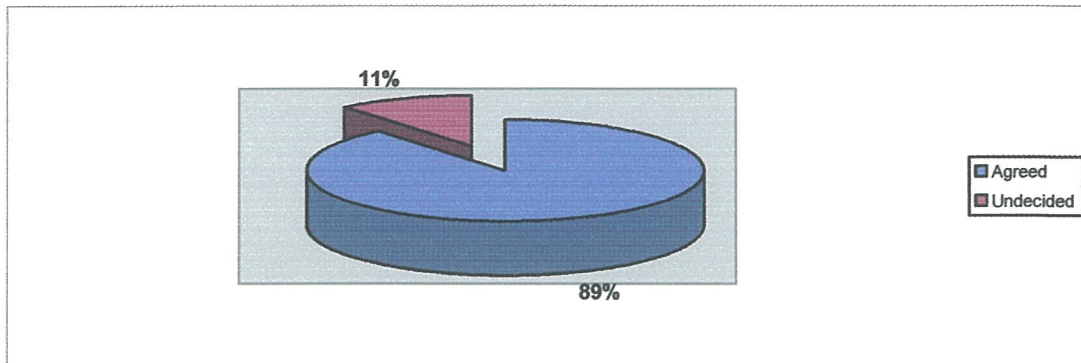
To establish the fieldwork standards of auditing in terms of work plan, understanding of internal controls, and amount of audit evidences received, a numbers of questions were asked that included: (a) Do you make audit plans? (b) Do you involve employees in the audit process? (c) Do you receive adequate financial statements from accountants for auditing? (d) Are financial statements (assertions) submitted in time for auditing? (e) Do you cooperate with other departments during auditing? And lastly (f) Are there circumstances when GAAP is not followed?

4. 4.1 Proper Planning and Supervision

Research indicated that almost each and every audit done is planned for. Internal auditors normally inform all departments in advance to prepare and organize there financial records for verifications. According to the study 08(88.9%) agreed that prior planning was done on each and every audit. It is only 01 (11.1%) respondent who were undecided, but none disagreed. This overwhelming number toward planning partly shows that auditing standards were adhered, for proper and accurate estimation of performance.

According to Larry F. Konrath, (2002), the audit planning helps in carefully interpreting and gathering data it to come up with rational opinions. Through systematic steps of objectively obtaining and evaluating evidence regarding assertions about economic actions and events, it helps ascertain the degree of correspondence between those assertions and established criteria and communicating the result to interested users in a “fairness and reliability” manner.

Figure 4.3: Proportional Response on Planning Before Auditing



Source: Primary Data

The above figure 4.3 represents the proportional response on the practice of audit planning. Research indicates that, out of the 9 auditors who were examined 89% agreed that audit plans were done prior to auditing, 11% were undecided, and none of them disagreed. This indicates that audit standards are fairly observed for effective results.

4. 4.2 Sufficient Understanding of Internal Control

This is one of the most widely used accepted concepts in the theory and practice of auditing. Auditors must know the importance of the audit client's system of internal control to generate reliable financial information. If the auditor is convinced that the client has an excellent system of internal control like, adequate internal controls for providing reliable data and safeguarding assets and records, then the amount of audit evidences to be accumulated can be significantly less than when controls are not adequate:

- **Level of adherence to GAAP**

Research indicated a 09(100%) proportion response for the use of auditing standard by auditors. According to the senior auditor these standards establish the framework within which they decide the necessary action to take in preparation for the examination of financial statements, in performing the examination, and in writing the report. These

standards serve to measure the quality of all audit objectives and the acts performed to reach these objectives.

▪ **Delegation of Work in Departments**

According to the 2007/08 Auditor General Report it was cited that the ministry had no proper delegation of work for its workers in some departments. The reports also indicated that there were no substantial store keepers to ensure proper management of the stores; instead the Principal Officer doubled work as the store keeper as well.

When questionnaires were veiled to auditors, 04(44.4%) agreed that there was indeed poor delegation of work, which some personnel cited as the main cause of poor data management and entry, while 04(44.4%) disagreed that there was poor work delegation in departments, and only 01(11.1%) were undecided.

▪ **Adequacy Financial Statements**

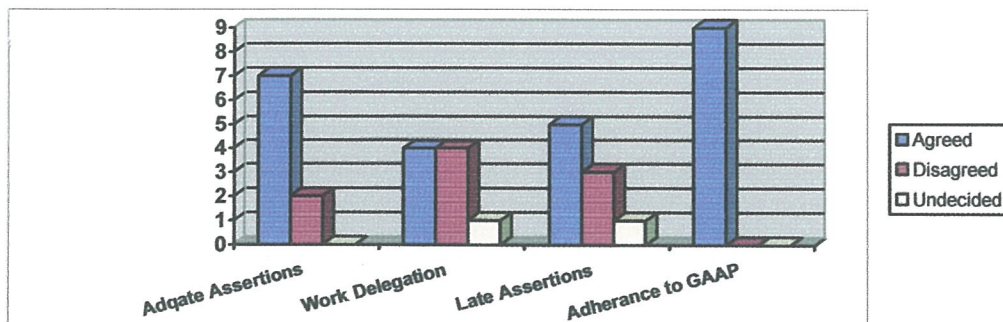
According to a senior auditor in the ministry, this was one of the major challenges that they were and still facing as auditors. The insufficiency of audit evidences from the various departments hinders their operational very much.

In the questionnaires that I issued indeed over half of the populations 07(77.8%) said there was inadequate financial statements (assertions), which was mainly attributed to poor record keeping among departments. Only 02(22.2%) agreed that there was always adequate financial statements or assertions for auditing. In the 2007/08 consolidated report of inspectorates and internal auditors, it was noted that the main causes of poor data management in the ministry of health particularly in the stores was the use of incompetent storekeepers, and absence of a proper store data management system. This was a problem that needed to be addressed quickly in order to improve on the work of auditors and promote accountability.

▪ **Timeliness in the presentations of Assertions by Management**

Another problem was the late submission of financial statements by management for auditing, which was brought about by poor planning and recording of data. The study further indicated that 05(55.6%) agreed that there was always late submission of financial statements for auditing, 03 (33.3%) said there was timely submission and only 01(11.1%) was undecided. According to research late submission was also attributed to poor date management in other departments and government delay in paying workers salaries something that slows down documentation and computation of data to be given to auditor.

Figure 4.4: Sufficient Understanding of Internal Controls



Source: Primary Data

Figure 4.4, indicates that 77.8% of auditors receive adequate assertions from the different departments, 44.4% said that work was effectively delegated among the various departments, 55.6% said that the assertions were not always in time, and 90% agreed that they followed GAAP standards of field work, conduct and reporting of the findings.

4.4.3 Sufficient Competent Evidence

The decision about how much and what type of evidence to accumulate for a given set of circumstance is based on ones requiring professional judgment. According to Frank K, Buckless (2000) the amount of audit evidences collected depends on a number of factors such as the methods used for gathering, management willingness, and others. These

evidences can take a form of journals, ledgers, transaction tapes, master files, and other financial records of the organization collectively known as “Books of Account”.

▪ **Employee Involvement**

One of the major factors that were considered in this study was also to find out the extent of employee integration in the audit process as a factor used to determine the validity of assertions presented by accountants. On this note, research indicated that 05(55.6%) of the auditors agreed that employees are involved in the process to aid in verbal clues regarding information from their respective departments. A proportion of 03(33.3%) was undecided, and only 01(11.1%) disagreed. According to William F. Messier, Jr. (2000), assurance services help improve the quality of information for decision making. Individuals who are responsible for making organization’s decisions seek assurance services to help improve the reliability and relevancy of information used as the basis of their decisions.

▪ **Cooperation with other Departments**

Just like employee involvement in the audit process, cooperation between the auditing unit and other departments was also another important factor to consider in determining the validity of audit evidences auditors got. These services improved on the reliability and relevancy of information gathered for decision making.

Out the 09 respondents who were examined, 5 (55.6%) agreed that cooperation between and with other departments existed, 01(11.1%) disagreed, and 03(33.3%) were undecided. The study also indicated that cooperation was used in terms of seeking for verbal clues to supplement on the assertions of accountants, and determine magnitude of variances that existed between financial statements and assurance services to make rational decisions.

4. 5 Compliance to Reporting Standards

According to William F. Messier, Jr. (2000), there are basically four (4) reporting standards that must be observed by any auditor when preparing a report on the financial

statements examined. These reporting methods must be in conformity with GAAP standards, which include the following; unqualified opinion report, qualified opinion, adverse opinion, and disclaimer of opinion as comprehensively discussed under article 2.3.3 in chapter II

To establish the standards of reporting audits and to measure the extent at which GAAP was observed in the organization the following questions were asked: (a) how often do you make audit reports? (b) Who are the reports addressed to? (c) Methods of reporting auditors used? (d) Do employees also come to know about your findings?

▪ **Was GAAS Consistently Followed?**

The study further indicated that out of 09 respondents who were examined, 08(88.9%) of them agreed that GAAS standards of reporting were frequently observed, and only 01(11.1%) were undecided. Some of the standards highlighted were; unqualified Opinion report which involved declaring positive and satisfying assertions; qualified opinion which an opinion was given in conformity with GAAP but with insignificant deviation under and those with massive inconsistency under disclaimer opinion reports.

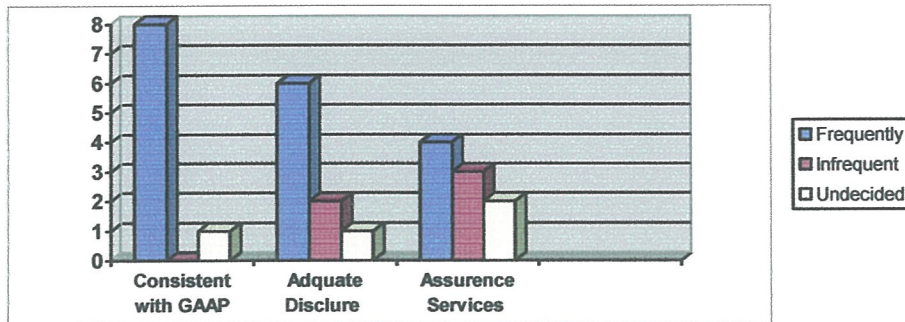
▪ **Whom the Reports were addressed to?**

Unlike in private companies where audit reports are addressed to stockholders or board of Directors, in public service they are addressed to the Auditor General who later on makes an annual report about the performance of each and every sector/ ministry of the country. According to one of the senior internal auditors, inspections are done one each and every department, and later presented to external auditors or inspector (from the Auditors General Office)

▪ **How Employees were informed?**

Through interviews research indicated that employees were informed through their respective heads of departments. This was in form of departmental meetings, minutes and notes.

Figure 4.5: Compliance to Reporting Standard



Source: Primary Data

Figure 4.6: above shows that 88.9% of the total respondents (auditors) examined agreed that GAAP standards were frequently observed, 66.7% of agrees that information was adequately disclosed by the different departments, and 44.4% of the auditors indicated that they got assurance service from other departments and employees, which is a great indicator of cooperation.

4.6 Effects of Other Departments in the Application of Auditing Standards

Apart from assessing auditors on the standards of auditing as seen in the previous section, the study also assessed other department such as the accounting department, administrators and managerial sections. This was done to verify their effect on auditing practices. Questions such as; Do you provide auditors with sufficient and timely evidence? Do you cooperate with auditors in case they have consulted you? Do auditors involve you in the auditing process? as follows:

4.6.1 Effects of Accountants and Procurement Officers in Determining the Application of Audit Standards

The study also examined how accountants' activities such as adequacy of assertions, timely and others affect auditing standards and practices.

Table 4.5: Response of Accountants' and Procurement Officers in Promoting Auditing Standards (N = 7)

Standards of Reporting Audits	Responses of the Respondents		
	Yes	No	Sometimes
Is auditing Necessary?	07(100%)	-	-
Do you disclose all necessary information?	06(85.7%)	-	01(14.3%)
Do you cooperate with Auditors?	06(85.7%)	-	02(28.6%)
Does the type of auditor matter?	05(71.4%)	-	01(14.3%)

Source: Primary Data

Table 4.5 above shows how responses of seven (7) personnel both in the accounting and procurement section who were examined on their perception regarding the role, contribution and the effectiveness of auditing in the organization. Four (4) respondents from accounting section and three (3) from the procurement unit were examined as follows:

▪ **Is Auditing Necessary?**

Out of the seven (7) personnel from both sections, none of them either disagreed or was undecided in terms of the necessity of auditing. As seen from the above table research indicated 07(100%) responses agreed that auditing is necessary. When they were asked why? In support for this question, reasons forwarded included helps in eliminating corruption, promoting accountability, and the effective use of resources.

▪ **Cooperate with Auditors**

Research from the both sections also indicated that there was cooperation between these units and auditors, especially in terms of giving assurance service or explanations on financial statements submitted. A ratio of 6/1 (75%) agreed that they cooperate with the auditors, and only 14.3% (01) said sometimes. With this kind of work cooperation efficiency and effectiveness were promoted in the auditing operations.

▪ **Does the Type of Auditor Matters?**

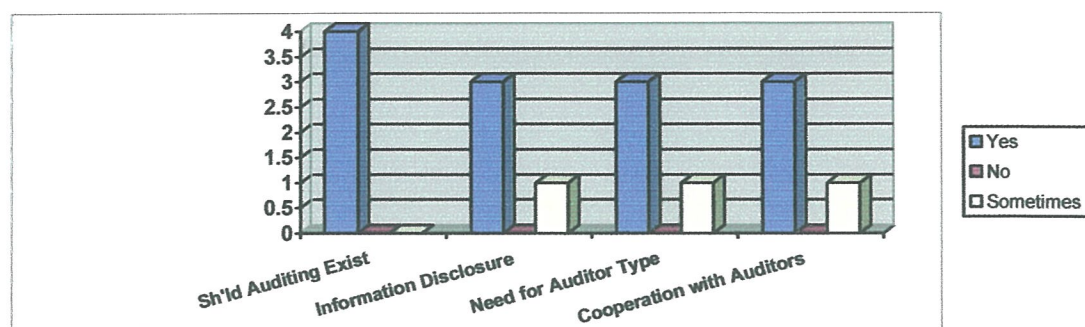
According to Larry F. Konrath, 2000, there are two types of auditors' namely internal auditors and external auditors. Internal auditors are normally employees of the company they audit. Their main role is to assist management of the organization in the effective discharge of its responsibilities. Whereas external auditors are sometimes called independent auditors. They are either individual practitioners or members of the public accounting firms who render professional auditing services to clients. By virtue of their education, training, and experience, independent auditors are qualified to perform each of the types of audits (financial statements, compliance and operational).

The study indicated the presence of both of these auditors. It also indicated that the type of auditor really mattered, 71.4% of the personnel agreed that the type of auditor is fundamental in establishing true and fair opinion of the prevailing organizational situation. They further said that external auditors tended to be more truthful than internal auditors, since they have no one they could favor.

▪ **Do you disclose all the Necessary Information?**

Information disclosure enables auditors comprehensively analyze the presented statements. Without proper information disclosure auditors are affected in establishing true opinions regarding organizational performance. Out of the seven (7) personnel examined 05 (85.7%) agreed that they provided full information disclosure, and only 02(14.3%) said sometimes, which enhances auditing activities and practices within the organization.

Figure 4.6: Responses from the Accounting Section on Auditing



Source: Primary Data

The figure 4.6 above shows that out of the 04 personnel in the accounts sections, 4/4 (100%) agreed that auditing was necessary, 75% also agreed that they disclose all necessary information to auditors, auditor type mattered in establishing genuine audit opinions, and that cooperation existed among them.

4.6.2 Effects of Administrators in Promoting Auditing Activities/ Standards

The study also examined how administrative activities such as adequacy disclosure of information affected auditing activities/ standards

Table 4.6: Response of Administrators in Promoting Auditing Standards (No. = 20)

Standards of Reporting Audits	Responses of the Respondents		
	Yes	No	Undecided
Does Auditing Promote Accountability?	20(100%)	-	-
Does Auditing Improve Promote Efficiency?	20(100%)	-	-
Are you consulted by auditors?	13(65%)	05(25%)	02(10%)
Do disclosure all Information?	12(60%)	-	08(40%)
Are you informed about their audit findings?	07(35%)	11(55%)	02(10%)
Is it important to know the audit results?	19(90%)	-	01(05%)

Source: Primary Data

Table 4.6: Shows how twenty (20) administrators' were examined regarding their perception, contribution and will of auditing as a factor that influences accountability and efficiency as presented in details below:

▪ **Responses on Auditing and Accountability**

In spite of the presentations given on the effectiveness of audit standards in the previous sections of this chapter, research indicated an overwhelming support of 20(100%) for the importance of auditing in fostering accountability and fighting corruption, none of the respondents disagreed or was undecided in this regard. Various reasons were given in support for this including threatening corrupt official, giving confidence in the civil society, and promoting effective resource allocation among others.

▪ **Does Auditing Promote Efficiency?**

In the same way as promoting accountability, auditing was also noted to be an instrument for efficiency and effectiveness by enhancing vibrant resource allocation measures. A total of 20/20 respondents also agreed that auditing enhances efficient resource use by establishing strict approaches on resource allocation, none of the respondents disagreed or was undecided in terms of this.

▪ **Level of consultation of Administrators by Auditors**

Research also indicated that out of the 20 respondent examined, 13(65%) agreed that they have ever been contacted by auditors for verbal clues about there respective departmental, 05(25%) disagreed, and only a proportion of 02(10%) were undecided. According to William F. Messier, Jr. (2000), assurance services help improve the quality of information for decision making as discussed under table 5.2 of this chapter.

▪ **Is it relevant to be informed about the Audit results?**

From the same table 5.5, 7% of the management staff agreed that they needed to know the audit results, especially for their respective departments. They noted that, their knowing of the performance of their respective departments encouraged them to work

hard in relations to other departments. 11% said that it was not necessary, and the 4% were undecided.

▪ **Are you informed about audit findings?**

In spite of the argument whether knowing audit results is important or not, research indicated a majority 11% were unaware of the findings of auditors, 7% said yes and only 1% were undecided.

▪ **Who Recruit Auditors?**

From some interviews that were carried out, research indicated that the ministry did not recruit auditors. Majority of the respondents who were examined disagreed that auditors were recruited by the ministry, although most of them still never knew who employed them; many said it was government/ public service. However according to the Public Accounts 1999 Act, internal auditors are appointed by the inspectorate department, a department under the control of the Accountant General in the Ministry of Finance, Economic Planning and Development.

CHAPTER FIVE

5.0 Summery, Conclusion and Recommendations

5.1 Introduction

This chapter presents the summary of the findings, recommendations and conclusions of the study conducted in relation to auditing standards and organizational performance in the Ministry of Health in particular.

5.2 Summary

5.2.1 Profile of the Respondents

The study indicated that, out of 36 respondents who were examined 22 were male, and 14 were female. Though the distribution of gender was not equal it was not significantly imbalanced to provide relative information for the study.

The study also indicated that, 3 respondents were 60-69 years old, 7 were 50-59 years old, 8 were 40 – 49 years old, 8 were 30-39 years old and 10 were 20 -29 years old. With this even distribution of age brackets among the youth and the aged people, the study managed to exhaust a diverse level of findings in between these age groups.

It also indicated that, 26 respondents were married people, 6 were single and none was divorced which is part of moral integrity and responsibility. Four (4) principal officers, 14 seniors and 20 assistant officers were examined to determine the level of compliance to auditing standards at the ministry.

5.2.2 Auditing Standards

Auditing standards are general guidelines to aid auditors in fulfilling their professional responsibilities in the audit of historical financial statements. They include general standards, fieldwork standards, and standards of reporting. These standards establish the

recommendations which indicates absolute consideration of the standards of auditing as a factor which influences decision policy in any organization to determine its performance.

Due Professional Care: One of the underlying aspects any auditor must possess is integrity and objectivity. The ability to work without having conflicting interest; the ability to work with genuine and truthful intentions, not being corrupt neither biased in your opinion. The study exhibited high level of integrity and professionalism by virtue of education, experience, and training auditors had this was measured. The Auditor General and the Inspectorate Department also had a strong policy of professionalism demarcated in its recruitment strategy.

Under the study high levels of procedural approaches were observed, something which indicates that policy and adherence to standards were strictly observed. Completeness of the work papers, sufficiency of audit evidence, and appropriateness of the audit report was somehow not readily in time due to some department irregularities were indicated in form of incompetent workers in some sections, insufficient staff, and government delay of payment were cited as responsible for the delayed documentation and computations of financial reports or assertion by the account office.

Fieldwork Standards

Critical observation of evidence accumulation and other activities during the actual conduct of the audit by ensuring adequate planning and supervision; sufficient understanding of internal control; and adequate evidence was one factor that was impeccable in the examination of effectiveness of the auditing practices and standards at the ministry as follows:

Proper Planning Audits: This was assessed by finding out whether auditors had any kind of approach used to ascertain facts before they drew their opinions. By virtue of the question which was addressed all the respondents agreed that they used standard procedures prior, during and after auditing. Field work planning helped in ascertaining comprehensive information to support the audit process in order to make genuine

decisions that reflect the actual state of the organization to aid management decision process over performance.

Sufficient Understanding of Internal Control: By virtue of qualification, experience, and ways of conducting audits the level of auditors and accountants understanding of internal control was examined. Most of the auditors if not all had an impeccable understanding of internal control. They observed each and every step involved in the audit process to perform their duties with utmost good faith and due professionalism, though some other departments still needed more efforts and resources as indicated in the Auditor General Report 2007/08.

Sufficient Competent Evidence: The amount of evidence collected determines the accuracy of an audit report. If evidences collected were sufficient, auditor report is then likely to be more accurate on the economic state of the organization or otherwise. The auditors' endeavor to collect adequate evidences was realized inform of seeking for adequate assertions, cooperation with other departments, consulting employees, and urging the accounts departments to disclose all relevant information to this end. By this the audit unit managed to get sufficient evidences as indicated in table 4.2 of chapter four. This implies that, auditors at the ministry have a fair and true reflect of the economic state of that organization hence aiding planning for better performance.

Standards of Reporting

The way in which auditors analyze and present their recommendations on the economic state of an organization determines stakeholders' perception and actions towards its performance. For instance, if the audit report is not systematic to critical aspect, it is likely that management and employees as immediate stakes may not realize their performance. Their failure to understand their performance makes/ or does impact them to improve on their areas of weakness. Therefore, a number of reporting formats were forwarded by the auditing standards board which includes; unqualified opinion reports, qualified opinion reports, disclaimer reports, and adverse opinions among others, as

international frameworks in reporting audits. Table 4.3 in chapter four presents details of the standards of reporting at the ministry.

Unqualified report shows that everything is alright, while qualified opinions indicates that much as records are indicating good performance there are some inconsistencies in certain areas. And the disclaimer shows discontents of management assertions. These reports influence stockholders/ and directors to act in certain ways like proposing restructuring, or maintaining prevailing orders hence influencing performance.

5.3 Conclusions

According to Development Cooperation Report, (2006/07), over US\$ 73.1million funds was granted by donor project in a period of 2003/04 to 2006/07 to promote accountability and over Shs400billion is spent annually by the government of Uganda to fight corruption and promoting accountability, but the fact is that audit standard as the root factor in promoting accountability still lags. Every year the Auditor General writes reports on the economic state of each and every public organ, and many irregularities are cited but little or no action is taken on people responsible, which is a sign of weakness in government policy.

Therefore, there is great need and effort to strengthen the internal audit departments, and empowering institutions such as the Office Auditor General, PPDA and others that champion international conventions such as audit standards. As a consequent, auditing standards will be observed for better organizational performance hence growth and development of the country.

5.4 Recommendations

Much as some level of compliance to auditing standards have been realized, there is still great need government intervention and support in form of strengthening Laws and institutions which champion those international convention. Accountability has been impinged because of the weak Laws and institutions which can not enforce policies. Therefore, the following measures are recommended to improve the situations as follow:

1. To strengthen the Internal Audit Department through a centralized system of control. This will promote independence among auditors to perform their work with utmost truth.
2. There should be an organizational awareness on the importance of auditing and how to build a supportive atmosphere amongst employees as a way of fostering audit activities within the organization.
3. Government should strengthen and strictly enforce its Laws on standards as way of promoting accountability. Some Laws that are in line with fostering international conventions are, the Constitution, the Prevention of Corruption Act 1970, the Leadership Code of Conduct 1997, the Penal Code Act 1964, the Local Government Act 1997, Public Procurement and Disposal of Public Assets Act 2003, and the Public Finance Act
4. Sensitization and public awareness programmes should be emphasized not only in organizations but also in the entire country. Through workshops, seminars, public lectures, media programmes and publication of audit reports many people will have to know about the dangers of entities operating without standards.
5. Civic servant reforms like better pay, supervision and coordination should be encouraged help increase efficiency and reduce graft among public officials.
6. Finally, the government should establish International Links with international institutions like donor agencies such as DINIDA, EDI of the World Bank, UK Department for International Development (DFID), UNDP, Freidrich Ebert Foundation (FEF), USAID and the Canadian International Development to enforce standards as a way of promoting accountability.

5.5 Areas of Further Research

It is true that the study was too comprehensive and complex but limited to objectives and area of study, thereby giving room for further research in the following areas:

- 1) Internal Controls and Organizational Performance
- 2) Type of Auditors on Audit Practices
- 3) Role of Government Policies In Promoting Auditing Practices

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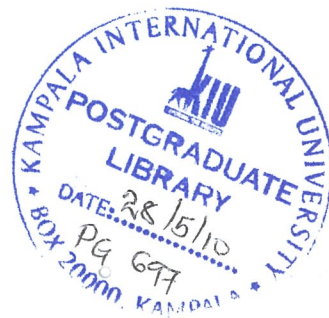
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APPENDIX A

RESEARCHER'S LETTER TO RESPONDENTS

Dear Respondent

I am PULE Samuel a student of Kampala International University pursuing a Masters Degree in Business Administration (F&A Option), carrying out research on Auditing Standards and Organizational Performance

You are kindly requested to respond to this questionnaire that has been sent to you. The study is purely for academic purposes, and the information you will give shall be treated with utmost confidentiality.

INSTRUCTIONS

Do not write your name anywhere on this questionnaire.

You are kindly requested to fill out the questionnaire, and have it ready for collection by the researcher within a period of one week.

Your cooperation and contribution will be highly appreciated.

Thank you very much.

Yours faithfully;

PULE Samuel

MBA CANDIDATE

0782 889 502

APPENDIX B

RESEARCH QUESTIONNAIRES FOR AUDITORS

1) Background Information

- a) Gender Male ☐ Female ☐
- b) Age Bracket 20-29 ☐ 50-59 ☐
 30-39 ☐ 60-69 ☐
 40-49 ☐ 70-80 ☐
- c) Marital Status: Single ☐ Married ☐ Divorced ☐
- d) Position you hold in this ministry?
-
-

2) General Standards

- a) Level of Education: Masters ☐ Degree ☐ Diploma ☐
- b) Any Membership: CPA, ACCA Yes ☐ No ☐
- c) No. of year spent in this profession:
- | | | | |
|-------|--------------------------|-----------|--------------------------|
| 1 - 3 | <input type="checkbox"/> | 4 - 7 | <input type="checkbox"/> |
| 8 - 2 | <input type="checkbox"/> | 13- above | <input type="checkbox"/> |
- d) Ever attended any workshop about auditing/ accounting?
- | | | | |
|-----|--------------------------|----|--------------------------|
| Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
|-----|--------------------------|----|--------------------------|

e) If yes (d), what was the theme?

.....
.....

f) Had any formal training at work? Yes ☐ No ☐

3) Field Performance

a) Do you make audit/inspection plans? If yes/no, why?

.....
.....

b) Do you involve employees in the audit process? If yes/ no, why?

.....
.....

c) Do you get adequate financial assertions from accountants for auditing?

Yes ☐ No ☐ Sometimes ☐

d) Are financial reports submitted in time for auditing?

Yes ☐ No ☐ Sometimes ☐

e) Do you cooperation with others organizational departments during auditing?

Yes ☐ No ☐ Sometimes ☐

f) Do you experience political/ senior management interference during auditing?

Yes ☐ No ☐ Sometimes ☐

g) Are there circumstances where GAAS is not followed?

Yes ☐ No ☐ Sometimes ☐

3) Standards of Reporting Results

a) How often do you make audit reports?

.....
.....

b) Who are the reports addressed to?

.....
.....

c) Do employees also come to know about your findings? If yes, how? If no, why?

.....
.....

e) Any method of reporting audits used?

.....
.....

4) Supplementary

a) Challenges faced during auditing?

.....
.....

b) How have you gone about them (a)?

.....
.....

c) Do you think auditing is relevant? If yes/no why?

.....
.....

d) What should be done to strengthen it (c)?

.....
.....

APPENDIX C

RESEARCH QUESTIONNAIRES FOR ACCOUNTANTS & PROCUREMENT OFFICERS

1) Background Information

- a) Gender Male ☐ Female ☐
- b) Age Bracket 20-39 ☐ 50-59 ☐
 30-39 ☐ 60-69 ☐
 40-49 ☐ 70-80 ☐
- c) Marital Status: Single ☐ Married ☐ Divorced ☐

d) Position you hold in this ministry?

.....
.....

2) Support Questions

a) Is auditing Necessary? If yes/ no why?

.....
.....

b) Do you disclose all necessary information to auditors? If no why

.....
.....

c) Do you Cooperate with Auditors?

.....
.....

d) Does the type of auditor matter in work performance? If yes how?

.....
.....

e) How often do you prepare financial statements?

.....
.....

f) Do you follow GAAP procedures? If yes/no why?

.....
.....

g) Challenges faced while preparing financial statements reports

.....
.....

h) How have you handled these challenges in (g)?

.....
.....

APPENDIX D

RESEARCH QUESTIONNAIRES FOR ADMINISTRATORS

1) Background Information

- a) Gender Male ☐ Female ☐
- b) Age Bracket 20-39 ☐ 50-59 ☐
 30-39 ☐ 60-69 ☐
 40-49 ☐ 70-80 ☐
- c) Marital Status: Single ☐ Married ☐ Divorced ☐

d) Position you hold in this ministry?

.....
.....

2) Support Questions

a) Does auditing promote accountability? If yes how? If no why?

.....
.....

b) Does auditing promote efficiency in operations? If yes how?

.....
.....

c) Are you consulted by auditors?

.....
.....

d) Do you disclosure all relevant Information? If no why?

.....

.....
e) Is it important to know the audit results? If yes why?

.....
.....
f) Are you informed about the audit findings? If yes/ no why?

.....
.....
g) Who recruits auditors?

.....
.....
h) Does the type of auditor matter in work delivery? If yes why?

.....
.....
i) Do you cooperate with auditors in case of consultation? If yes, how? If no, why?

.....
.....
j) Weaknesses spotted out on auditors?

.....
.....
k) Opinion on what should be to improve on auditing?

.....
.....

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