

**AUDITING PRACTICES AND FINANCIAL PERFORMANCE IN BUSINESS
ORGANISATIONS IN KAMPALA CENTRAL DIVISION: A CASE
STUDY OF SECUREX AMMENITIES LIMITED
KAMPALA UGANDA**

BY

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**A RESEARCH DISSERTATION SUBMITTED TO THE COLLEGE OF ECONOMICS
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DECLARATION

I Nambogo Joanitah hereby declare that this dissertation is out of my own effort and that it is original and has never been submitted to any institution other than Kampala International University in partial fulfillment of the requirements for any award.

Sign:.....

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APPROVAL

This is to certify that this research dissertation has been written under my supervision and it's now ready for submission to the college of Economics and Management with my approval.



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ABBREVIATIONS/ACRONYMS

ACC	-	Audit & Assurance Council
CPA	-	Certified Public Accountants
GL	-	General Ledger
ICPAC	-	Institute of certified Accountants of Uganda
ICSC	-	International Accounting Standards Committee
P&L	-	Profit and loss
TB	-	Trial Balance

ABSTRACT

This study sought Auditing practices and financial performance in business organisations in Kampala central division, a case study of Securex amenities limited Kampala Uganda. This study intends to establish the relationship between auditing practices and financial performance in Business organizations, Securex Amenities Limited, with the following specific objectives. (i) To examine Auditing Practices carried out by auditors in Securex Amenities Ltd to verify books of accounts of the organization. (ii) To examine how has Auditing helped to improve decision making to directors of Securex Amenities Limited. (iii) To determine how Auditing practice helped in detecting and controlling of frauds and errors in the financial books of Securex Amenities Ltd. The researcher used both a descriptive cross sectional survey design which included both qualitative and quantitative method of data collection, the quantitative method was used to collect numerical data in form of numbers representing particular facts or measurements which helped the researcher to obtain information from respondents in depth. From the Findings Data analysis that was done using SPSS's descriptive statistics it was found out that Male were the majority respondents as represented by 75 (or 75%) as regards to gender. Furthermore the majority of the respondents agreed that auditing practices carried out by auditors in Securex amenities Ltd verify books of accounts of the organisation. This is evidenced in the strong agreements to questions sought by the researcher for example on whether the auditors are always recording using internal Auditing practices had 50% of the respondents who strongly agreed. Based on the findings, it was concluded that the level of Auditing practices in Securex Amenities is to some extent reaching the set targets. For example the findings indicate that the majority of the respondents that changes in financial performance of Securex Amenities could be accounted for by changes in internal audit standards, independence of internal audit, professional competency and internal control. The study also established that there was a strong positive relationship between financial performance of Securex amenities and internal audit standards, independence of internal audit, professional competency and internal control. From the study it was recommended that there is need for the internal auditors to continuously update themselves with the changing times and technologies and sharpen their skills. By applying skills to the most critical points, building personal and professional credibility and recognizing and responding to the needs, internal auditors can become indispensable thus speeding good governance and enhancing efficiency of internal audit.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter focuses on the background of the study, problem statement, purpose of the study, objectives of the study, research questions, scope of the study and the significance of the study.

1.1. Back Ground to the Study

1.1.1 Historical Perspective

All over the world there is a realization that the Internal Audit activity has the potential to provide hitherto unparalleled services to management in the conduct of their duties. This potential has been turned into a challenge and embodied in the new definition of Internal Auditing from the Institute of Internal Auditors (the IIA). Commercial banks have come to the realization that internal audit is essential in improving management of assets in the banks leading improved financial performance of banks (Basel Committee, 2002).

The term audit is derived from the Latin term 'audire,' which means to hear. In early days an auditor used to listen to the accounts read over by an accountant in order to check them. Auditing Countries such as Mesopotamia, Greece, Egypt, Rome, U.K. and India. The Vedas contain reference to accounts and auditing. Arthasashthra by Kautilya detailed rules for accounting and auditing of public finances. The original objective of auditing was to detect and prevent errors and frauds Auditing evolved and grew rapidly after the industrial revolution in the 18th century with the growth of the joint stock companies the ownership and management became separate. The shareholders who were the owners needed a report from an independent expert on the accounts of the company managed by the board of directors who were the employees (Companies Act.1913)

The objective of audit shifted and audit was expected to ascertain whether the accounts were true and fair rather than detection of errors and frauds. In India the companies Act 1913 made audit of company accounts compulsory with the increase in the size of the companies and the volume of transactions the main objective of audit shifted to ascertaining whether the accounts were true and fair rather than true and correct. Hence the emphasis was not on arithmetical accuracy but on a fair representation of the financial efforts.

The companies Act.1913 also prescribed for the first time the qualification of auditors. The International Accounting Standards Committee and the Accounting Standard board of the Institute of Chartered Accountants of India has developed standard accounting and auditing practices to guide the accountants and auditors in the day to day work. The later developments in auditing pertain to the use of computers in accounting and auditing. In conclusion it can be said that auditing has come a long way from hearing of accounts to taking the help of computers to examine computerized accounts.

1.1.2 Theoretical Perspective

In this study of Auditing practices and financial statement, Robertson (1976) says Internal Auditing may be defined in several ways depending upon what purpose is to be served. Pickett (1976) stated that —internal audit is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. This definition actually seeks to demonstrate the depth and breadth of the internal audit activity within an institution as against the previous orientation of reviewing payment transactions over the years.

Systems theory: Any type of organization whether government or private must ultimately aim for implementation of systems model of management. Under this model successful managers create precedent in managing an organization successfully by following innovative ways and means so that it becomes a good precedent for future managers. In any organization there is bound to be a change in the top level due to passage of time, since no body is permanent and nobody is inevitable. The future of incoming managers just follows what was followed earlier and

incorporate their ideas and innovations into it. The organizations run smoothly this model of management need to be followed in every country, in every organization, system theory is the trans disciplinary study of the abstract, organization of phenomena independent of their substance, type or spatial or temporal scale of existence. It investigates both the principles common to all complex entities and the usually mathematical models which can be used to describe them (Kast and Rosenzweig 1972), internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization operation.

1.1.3 Conceptual Perspective

In this research, we study about the relationship between the independent and dependent variables. The independent variable was conceptualized as Auditing practices and the dependent variable as financial performance.

Auditing practices is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes

Auditing practices is further conceptualized as:

- Internal Audit management
- Internal Audit process
- Internal control system

The above concepts assist the organization in risk assessment and minimization of losses in the organization.

Financial performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues This term is also used as a general measure of a firm's overall financial health over a given period of time, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation.

Financial performance is also further conceptualized as:

- Revenue Performance
- Tax performance
- Quality of financial statements

1.1.4 Contextual Perspective

There are many aspects of the performance of business organizations that can be analyzed. Muga (2012) stated that the importance of business profitability can be appraised at the micro and macro levels of the economy.

At the micro level, profit is the essential prerequisite of a competitive banking institution and the cheapest source of funds. It is not merely a result, but also a necessity for successful banking in a period of growing competition on financial markets. Hence the basic aim of every bank management is to maximize profit, as an essential requirement for conducting business. At the macro level, a sound and profitable banking sector is better able to withstand negative shocks and contribute to the stability of the financial system. Bank profits provide an important source of equity especially if re-invested into the business. This should lead to safe banks, and as such high profits could promote financial stability.

Schiama (2003) mentioned accounting- based performance using three indicators: return on assets (ROA), the return on total equity (ROE) and Return on Investment (ROI). These are widely used to assess the performance of firms, including commercial banks. Bank regulators and analysts have used ROA and ROE to assess industry performance and forecast trends in market structure—as inputs in statistical models to predict bank failures and mergers—and for a variety of other purposes where a measure of profitability is desired. The main purpose of this study was to examine if internal audit can actually enhance business financial performance in Kampala Central Division.

1.2 Problem Statement of the Study

All systems, operations functions activities within an organization are subject to internal audit evaluation (wand & Wallace 1998), the effective performance of internal auditing in Business Organizations is not emphasized leading to shortfalls in financial performance.

According to Manasseh (2007),the objective of internal audit function in any organization include safe guarding the company's assets, prevention and detection of fraud to ensure adherence to internal policies among others, therefore the researcher would like to establish the relationship between the effectiveness of internal audit section and financial performance in Business organizations focusing on Securex Amenities Limited.

1.3 Purpose of the study

The purpose of the study was to establish the relationship between auditing practices and financial performance in Business organizations, Securex Amenities Limited.

1.4 Objectives to the Study

- i. To examine Auditing Practices carried out by auditors in Securex Amenities Ltd to verify books of accounts of the organization.
- ii. To examine how has Auditing helped to improve decision making to directors of Securex Amenities Limited?
- iii. To determine how Auditing practice helped in detecting and controlling of frauds and errors in the financial books of Securex Amenities Ltd?

1.5 Research Questions

- i. What are the common Auditing Practices carried out by auditors in Securex Amenities Ltd to verify books of accounts of the organization?
- ii. How has Auditing helped to improve decision making to directors of Securex Amenities Limited?
- ii. How has Auditing practice helped in detecting and controlling of frauds and errors in the financial books of Securex Amenities Ltd?

1.6 Scope of the Study

1.6.1 Geographical Scope

The research was conducted in Kampala central Division at Securex Amenities Ltd, Nkhurumah Road, and Plot 72 Kampala, Uganda. The research will mostly rotate around the accounting and auditing department of Securex Amenities Ltd and most information will be extracted from the accountants and Auditors.

1.6.2 Time Scope

This research covered a period of Five month period starting conducted between November 2017 and March 2018 and references will be made after the study.

1.6.3 Content scope of the study

The study covers Auditing practices and financial performance of Business organization in Kampala central division. A case study of Securex Amenities Ltd, since 2007, the Institute of Certified Public Accountants of Uganda (ICPAU) has operated a mandatory audit quality assurance review program of registered accounting firms in accordance with its mandate under the accountants Acts which states that all audits of financial statements are subject to mandatory quality assurance reviews.

1.7 Significance of the Study

- i. The research will help organizations (small or big) to get enlightened on the importance of frequent auditing of their books of accounts.
- ii. The research will help organizations to identify future opportunities for their businesses for better performance
- iii. The research will help directors of companies in quick decision making and planning by relying on the audit reports which clearly explain the financial position of the organization.
- iv. The research will help organizations to reduce on incidences of errors and frauds in books of accounts.

- v. The research will help the government and the revenue authorities to plan and identify the general economic condition of the city by relying on audit reports from various organizations.
- vi. The research will help financial institutions and donors to know financial position of organizations before investing or funding them.

1.8 Definition of Key Concepts

Auditing:

Auditing is a systematic and scientific examination of the books of accounts and records of business to enable the auditor to satisfy himself that the profit and loss account and the balance sheet are properly drawn up so as to exhibit a true and fair view of the financial state of affairs of the business and profit or loss for the financial period.

Continuous audit:

An **audit** which involves a detailed and exhaustive examination of the books of accounts at regular intervals throughout the year along with the accounting work.

Errors: Mistakes committed innocently and unknowingly while making entries in the books of accounts.

Frauds: Fictitious entries made in the books of accounts with certain motives.

Interim audit: An audit which is conducted for a part of the accounting period for some specific purpose.

Investigation: Examination of accounts for special purpose.

Qualified auditor: A person who is a Chartered Accountant within the meaning of the Chartered Accountants Act, 1949.

Financial statements (or financial report) are a formal record of the financial activities and position of a business, person, or other entity.

A balance sheet or statement of financial position, reports on a company's assets, liabilities, and owners equity at a given point in time.

An income statement or statement of comprehensive income, statement of revenue & expense, P&L or profit and loss report, reports on a company's income, expenses, and profits over a period of time.

A cash flow statement reports on a company's cash flow activities, particularly its operating, investing and financing activities.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This section involves the concept of Auditing practices and financial performance, the forms of Audits carried out, the effect of these audits on the financial performance of an organization and the effectiveness of these audit practices in the maintenance of the internal and external control of organizations. This section contains information from various sources by different personalities and these include newspapers, articles, journals, textbooks, periodicals, abstracts and others.

2.1 Theoretical Review

Various theories have been formulated on internal audit and financial performance. They include Agency theory; contingency theory and Lending credibility theory. These are discussed below:

2.1.1 Agency Theory

Agency theory is concerned with resolving problems that can exist in agency relationships; that is, between principals (such as shareholders) and agents of the principals (for example, company executives). The two problems that agency theory addresses are: the problems that arise when the desires or goals of the principal and agent are in conflict, and the principal is unable to verify what the agent is actually doing and the problems that arise when the principal and agent have different attitudes towards risk. Because of different risk tolerances, the principal and agent may each be inclined to take different actions.

Adams (1994) in his article stated that Agency theory can provide for richer and more meaningful research in the internal audit discipline. Agency theory contends that internal auditing, in common with other intervention mechanisms like financial reporting and external audit, helps to maintain cost-efficient contracting between owners and managers. Agency theory may not only help to explain the existence of internal audit in organizations but can also help explain some of the characteristics of the internal audit department, for example, its size, and the scope of its activities, such as financial versus operational auditing. Agency theory can be

employed to test empirically whether cross-sectional variations between internal auditing practices reflect the different contracting relationships emanating from differences in organizational form.

2.1.2 Contingency Theory

The goal of an audit is to test the reliability of a company's information, policies, practices and procedures. Government regulations require that certain financial institutions undergo independent financial audits, but industry standards can mandate audits in other areas such as safety and technology. Regardless of the audit subject, various factors impact a company's final results, and the contingency theory takes these factors into account during the audit process.

The contingency theory of leadership and management states that there is no standard method by which organizations can be led, controlled and managed. Organizations and their functions depend on various external and internal factors. The functions of audits are themselves, types of organizations that are affected by various factors in the environment. The presence of such factors is why auditing can be managed by applying the contingency theory, with a recognition that processes and outcomes of audits are dependent on variable and contingent factors.

On a broad level, the audit process is straightforward. Auditors require access to documents, systems, policies and procedures to manage an audit. They must remain compliant with industry standards, government regulations and internal requests. Audit teams may begin the audit process with meetings where they gather risk and control awareness, after which the field work begins. During the audit process, auditors perform substantive procedures and test controls. They then draft reports that they submit to management and regulatory authorities. The audit sub processes, particularly in planning and field work, include contingencies such as business type, employee skill level, applicable laws, available audit workforce, available technology and systems, and deadline.

Daft (2012) in his book writes: —Contingency means: one thing depends on other things[¶] and —Contingency theory means: it depends.^{||} Audit functions are task-oriented and can be loosely structured. The functions also can vary considerably, depending on the area of a company under audit and the type of business model, so auditors must carefully manage their inspections and take variables into account to get the job done. The contingency theory also can be applied to an audit team's structure. Typically, audit team managers receive audit projects. They then create ad

hoc audit teams for the projects, selecting auditors based on expertise and experience in the subject areas, and on auditor availability, all of which add up to contingencies for any given audit project.

Audit teams use a mix of structure and contingency to get the output rolling quickly. The subject of auditing projects can include such diverse areas as evaluation of production processes, inspection of company accounts, and assessment of compliance with industry standards. Selecting auditors with specialized training or those who have a particular skill set in the subject area minimizes the learning curve and reduces opportunities for errors. The quality and output of audits remain assured when audit teams use resources according to expertise and experience, and when auditors are flexible and can adapt to process fluctuations. For example, an auditor experienced in evaluating financial instruments can be effective in an audit exercise of a bank or hedge fund, even when the financial instruments the institution offers do not fit the typical mould (Davoren, 1994).

2.1.3 Lending Credibility Theory

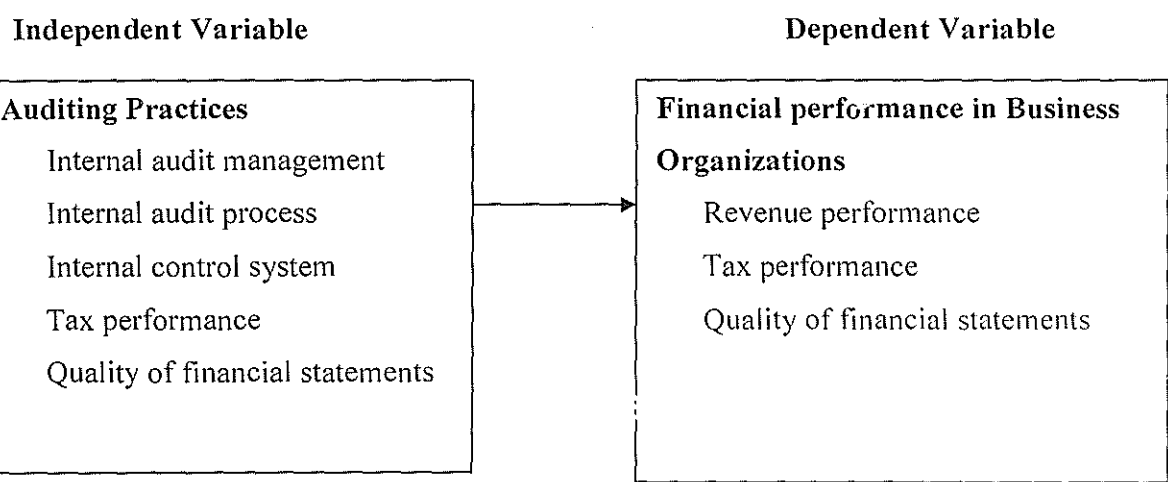
Volosin, (2007) in his book mentioned that the lending credibility theory is similar to the agency-theory and it states that audited financial statements can enhance stakeholders faith in management's stewardship. The business world consists of different groups that are affected by, or participate in, the financial reporting requirements of the regulatory agencies. They are shareholders, managers, creditors, employees, government and other groups. The major recipients of the annual reports are the shareholders, including individuals with relatively small shareholding and large institutions such as banks or insurance companies. Their decision is usually based on the financial reporting and the performance of the company's management, who have a responsibility to act in the interests of investors. Thus, the purpose of the financial statements.

The auditor is appointed by the company's shareholders and reports his results to his clients. The aim of the auditor's report is to comment on how accurately the company presents its financial situation and how it is performing. This should reassure the shareholders that their investment is secured and also help to reduce the practice of misleading accounting procedures designed to show the company in a more favourable light. Basically, the audit is represented as a process designed to evaluate the credibility of information of a company's financial statements (Letza, 1996).

2.2 Conceptual Review

The conceptual framework is simply a construct of the interrelationships that exist among the variables to be studied. It clearly illustrates the causative factors in the relationships. It clearly outlines the structures of research and guides the researcher in the whole research process. Smyth (2004).

Figure 2.1: Conceptual Framework



Source: Modified by the Researcher 2018

The conceptual framework shows internal audit as the independent variable used to explain financial performance in local Government as the dependent variable. Internal audit is described in terms of internal audit process, internal control system and financial performance is described in terms of revenue performance, tax performance and quality of financial statements.

Standards are used as the moderating variable which has been described in terms of auditing standards and the accounting standards.

2.3 Review of Related Literature

Internal Audit is an objective and independent appraisal service within an organization on risk management, control and governance by measuring and evaluating their effectiveness in achieving the organization's agreed objectives. In addition, internal audit's findings are beneficial to the Board of Directors and line management in the audited areas. The service applies the professional skills of internal audit through systematic and disciplined evaluation of

the policies, procedures and operations that management put in place to ensure the achievement of the organization's objectives, and through recommendations for improvement (Dumitrescu, 2004).

The Board of Directors of the Institute of Internal Auditors in June 1999 described internal audit as an independent, material and consultancy activity, which adds value and improves the functioning of an organization. It helps the organization achieve its aims by means of a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and the management process.

Internal audit has several aims and principles which it is necessary to adhere to. It is the board of directors of the bank, however which bears final responsibility that the bank's management applies an appropriate and effective system of internal audit, a system of evaluating banking activity risk and risks concerning bank capital, appropriate methods of monitoring compliance with laws, measures and internal procedures. Likewise, the bank's management is responsible for drawing up procedures which identify measure, monitor and control the risks that the bank faces.

Internal audit is a part of the repetitive monitoring of the internal control systems of the bank and its procedures for evaluating internal capital. As such, it assists management and the board of directors in the effective performance of their responsibility as outlined above (Gramling, 1997).

Although the need for objectivity and impartiality is of particular importance for the internal audit department in a banking institution, this does not exclude the possibility that this department, too, may contribute to advisory and consultancy activity, if the independence of analyses and evaluations is ensured. Some banks have also introduced a system of evaluating their activities, which does not replace, but supplements the function of the bank's internal audit. This is a formal and documented process whereby management and employees analyze their activities and evaluate the effectiveness of the related internal control procedures. Most internal audit professionals argue that an effective internal audit function correlates with improved financial performance. According to Beyanga (2011), an effective internal audit service can, in particular, help reduce overhead, identify ways to improve efficiency and maximize exposure to possible losses from inadequately safeguarded company assets all of which can have a significant effect on the financial performance of an organization.

He also stated that internal audit is an —invaluable tool of management for improving performance. Fadzil et al (2005) also noted that internal auditors help run a company more efficiently and effectively to increase shareholders value. Finally Hermanson and Rittenberg (2005) argued that the existence of an effective internal audit function is associated with superior organizational performance.

At the empirical level, a survey conducted by KPMG (1999) found that the internal audit function in organizations where it exists, contributes substantially to performance improvement and assist in identifying profit evidence in corporate disasters, particularly financial fraud consistently documents an association between weak governance. Thus internal audit by acting as a watchdog could save the organization from malpractices and irregularities thus enabling the organization to achieve its objectives of ensuring high level of productivity and profit. At the micro level, profit is the essential prerequisite of a competitive banking institution and the cheapest source of funds. It is not merely a result, but also a necessity for successful banking in a period of growing competition on financial markets. Hence the basic aim of every bank management is to maximize profit, as an essential requirement for conducting business. At the macro level, a sound and profitable banking sector is better able to withstand negative shocks and contribute to the stability of the financial system. Bank profits provide an important source of equity especially if re-invested into the business. This should lead to safe banks, and as such high profits could promote financial stability

2.4 Review of Empirical Studies

Only a few academic studies have examined the effectiveness of internal audit, and even fewer have dealt with the issue empirically. In one of the very few studies that examined the effect of internal auditing on organizational performance, Mawanda (2008) conducted a research on effects of internal control systems on financial performance in institution of higher learning Uganda. In his study he investigated and sought to establish the relationship between internal control systems and financial performance in an Institution of higher learning in Uganda. Internal controls were looked at from the perspective of Control Environment, Internal Audit and Control Activities whereas Financial performance focused on Liquidity, Accountability and Reporting as

The study established a significant relationship between internal control system and financial performance. The investigation recommends competence profiling in the Internal Audit department which should be based on what the University expects the internal audit to do and what appropriate number staff would be required to do this job. The Study therefore acknowledged role of internal audit department to establish internal controls which have an effect on the financial performance of organizations.

Mutua (2012) researched on impact of risk based audit on financial performance of commercial banks in Kenya. Although her study concentrated on risk based audit She acknowledged that financial performance requires appropriate effective and efficient internal audit. From the findings, the study concluded that risk based auditing through internal auditing standards and internal auditing staffing should be enhanced to enable firms to be able to detect risks on time and concentrate on high risk areas leading to increased transparency and accountability, hence enhancing financial performance. This showed that there is indeed a relationship between internal audit and financial performance Ndege (2012) researched on Performance and financial ratios of commercial banks in Kenya. The objective of his study was to identify factors, in a ratio form that shape bank performance as measured through return on assets (ROA) and return on equity (ROE). In his study he concluded that ROA and ROE can be used to measure financial performance of banks in Kenya. Internal audit operations and recommendations do not only have short-term effect on the running of an organization, but is the backbone of an organization and it dictates the prosperity or the down fall of the particular organization. Its effectiveness and acceptability should be stressed at all levels and especially the management to enhance its viability. However it seems that laxity has crept in and it is in light of this view that we seek to analyze the factors affecting implementation of internal audit reports in Securex Amenities Limited.

2.5 Research Gaps

Audit is not legally obligatory for all types of business organizations or institutions. On this basis audits may be of two broad categories i.e., audit required under law and voluntary audits.

I. Audit required under law

The organizations which require audit under law are the following:

1. companies governed by the Companies Act, 1956
2. banking companies governed by the Banking Regulation Act 1949;
3. electricity supply companies governed by the Electricity supply Act, 1948
4. (d) Co-operative societies registered under the co-operative Societies Act, 1912
5. (e) Public and charitable trusts registered under various Religious and Endowment Acts

II. **In the voluntary category** are the audits of the accounts of proprietary entities, partnership firms, Hindu undivided families, etc. in respect of such accounts, there is no basic legal requirement of audit. Many of such enterprises as a matter of internal rules require audit. Some may be required to get their accounts audited on the directives of Government for various purposes like sanction of grants, loans, etc. But the important motive for getting accounts audited lies in the advantages that follow from an independent professional audit. This is perhaps the reason why large numbers of

Proprietary and partnership business get their accounts audited. Government companies have some special feature which will be seen later.

Interim audit:

An audit that is taken up between two annual audits is called an Interim Audit. A specific date, as per the client's requirement is taken into account, e.g. 30th September, 31st

December, etc. a trial balance is drawn and verified with a view to prepare financial statement.

Financial statement are prepared and authenticated for the interim audit period. Assets and liabilities are verified for interim balance sheet purposes. Independence is considered less independent than the statutory Auditor; generally an employee of the enterprise will be the internal auditor. In the interim audit no

Format is prescribed. It depends on the nature of work, coverage and audit observations.

Continuous audit:

A continuous audit is one in which the auditor's staff is engaged continuously in checking the accounts of the client, during the whole year round or when for the purpose, the staff attends at quite frequent intervals say weekly basis during the financial period.

A continuous audit is preferred for the following reasons:

- i. It makes it possible for the management to exercise a stricter control over the accounts in as much as one is able to track sooner the causes of any errors or frauds uncovered by such an audit.
- ii. The frequent attendance by the staff deters persons so inclined, from committing a fraud.
- iii. The accounting staff of the client is motivated to keep the books of account up to date.

Internal Audit

These are Audits carried out to examine issues related to company business practices and risks. Internal Audits are carried out throughout the year .therefore they are continuous.

External Audits

These are audits carried out to examine the financial records and issue an opinion regarding the financial statements of the company. External audits are conducted every single financial year.

Internal Controls

Controls audits are designed to ensure that appropriate controls over systems and software are in place to ensure that internal controls and internal checks are functioning as designed.

Controls audits can have features built into them to ensure that fraudulent transactions are flagged or made difficult, if not impossible, to transact. Controls audits provide assurance that controls are working, but they do not necessarily detect fraud or corruption.

Internal controls audit objectives relate to management's plans, methods, and procedures used to meet the organization's mission, goals, and objectives.

Internal control includes planning, organizing, directing, and controlling program operations and the systems put in place to measure, report, and monitor program performance, (Esmailjee, 1993). Haylas and Ashton (1982) in their effort to provide evidence on the effectiveness of particular audit techniques in detecting errors that affect the financial statements suggested that all intentional errors are concentrated in relatively few audits and these are fairly.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter describes the research methodology of the study that was used to achieve the objective of the study. Research methodology is the procedural plan that is adopted by the researcher to validly, objectively, economically and accurately answer the research questions. It is a detailed explanation of the procedures and techniques that shall be used while collecting, processing and analyzing data. This section of the study therefore describes the research design, target population and area, sampling frame, sample and sampling technique, data collection instruments, procedures, analysis management and the ethical considerations that the study shall use.

3.1 Research Design

The researcher used a case study design. Case study design is a detailed examination of one setting, or single subject, single depository of documents or one particular event. In case study design the researcher explored in depth of a program, an event, an activity, a process or one more individuals often in their natural environment and for a long period of time. The case study design involves different methods of research which include quantitative and qualitative methods.

Quantitative method involves data in form of figures, numbers and any other statistical manipulation whereas Qualitative method is the form of data which is not in numbers, figures, rates and percentages.

The researcher used the quantitative method because it gives facts that is to say, it does not involve errors. This method was used because it promotes greater understanding of not just the way things are, but also why they are the way they are and it gives the different opinions, values and perception of different people in the organization

3.2 Study Population

A study population is a well-defined or specified set of people, group of things, households, firms, services, elements or events which are being investigated. The population should fit a certain specification, which the researcher is studying. A target population is one that the researcher used to generalize the result of the study. The population that was chosen for this study was organizations in Kampala central Division in Uganda.

3.3 Sample size

It is important to select a representative sample through making a sampling frame. From the population frame the required number of subjects, respondents, elements or firms is to be selected in order to make a sample. The study selected a sample of Securex Amenities Limited an organization dealing in commercial property located at Nkrumah road plot 71, Kampala from a target population of business organizations in Kampala central division.

Kothari's (2004) recommends that a sample of 10% to 30% of the target population is a sufficient representation of the population. The sample was drawn using stratified random sampling technique. The data was treated on the basis of applicability to the study, relevance, accuracy and sufficiency.

The number of respondents will be arrived at by using the Slovene's formula as illustrated below.

$$\text{Slovene's formula} \quad n = \frac{N}{1 + N(e)^2}$$

Where n = Sample size

N = Population size

e = Marginal error which is 0.05

$$n = \frac{125}{1 + 125(0.05)^2}$$

$$n = \frac{125}{1 + 125 * (0.0025)}$$

$$n = \frac{125}{1 + 0.125} = 100 \text{ respondents}$$

3.4. Sources of Data

The researcher used both secondary and primary sources. The secondary source include publications written by another person who was not a direct observer or participant in the events described in the publication such as different documents, Newspapers, text books and others where as the primary source involves direct description of accuracy by an individual who actually witnessed or observed its occurrences. Primary source involves interviewing the accountants, the company auditors, and the directors if given an opportunity.

3.5 Methods and Instruments of Data Collection

During the research the researcher used different methods to collect the relevant data needed. They include observation method, interviewing and use of questionnaires.

3.5.1 Observation method

The researcher used observation method during data collection method. It is a process in which one or more individuals examines what is happening in some real life situations and then classify and record relevant happening according to some planned scheme. The instrument for observation is the observation check list. This method is used because it provides first-hand information about the object, events and object-events interaction of interest and it is favorable to people with low self-esteem.

3.5.2 Questionnaires

A well designed questionnaire was used to collect data, this will be both open ended and close ended questions and also a well tested questionnaires and interview guides to use to collect consistent data on the content.

3.5.3 Interview method

The researcher used a face -to -face interviews because it will enable me to establish rapport with potential participants and therefore gain their cooperation. These interviews yield highest

response rates in survey research. They also allowed the researcher to clarify unclear answers and when appropriate and then seek follow-up information.

3.6 Quality control methods

The researcher first created rapport with the company human resource, the accounting department, the internal and external auditors involved and in the organization. Data collection tools were checked by my supervisor or colleague.. before they are used in the field.

The results were compared with the literature review and the findings from the field of study to ensure the quality control on the research findings.

3.7 Data analysis techniques

Data was processed and analyzed after its collection during processing the researcher edited the collected information by sorting out the corrected and applicable information to the existing topic .after the editing of data the researcher then carried out recording of data and applied data where it is applicable. In data analysis the researcher critically examined the assembled data which made the researcher to think and analyze the data in the next Cording.

3.8 Ethical Considerations

The researcher got permission from the different levels of authority which include the university, and head of accounts of Securex Amenities to allow me carry out my research effectively.

The researcher also created a relationship with the other employees of the organization which helped her to get the required information.

The researcher had to promise the accounts department that their information is only for academic purposes and it be kept confidential and in case it is found unconfidently she will be accountable and answerable.

The researcher had to convince the clients so as to get the needed information.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION

4.0 Introduction

This chapter presents the data collected from primary sources as well as the analysis, interpretation and discussion of findings, with reference to study objectives and related literature.

4.2 Response Rate

The study targeted a sample of 100 respondents. However, out of 100 questionnaires distributed 80 respondents completely filled in and returned the questionnaires, this represented a 80% response rate. This is a reliable response rate for analysis as Mugenda and Mugenda (2003) showed that 50% of response rate is sufficient for analysis and presentation of the data. 60% is reliable and 70% of response rate and over is excellent. However, 20% of the respondent were reluctant to responded to fill the questionnaire this was due to reasons like, the respondent were not available to fill them in at the required time and even after subsequent follow-up there were no positive reactions from them.

Table 4. 1 Response Rate

Response	Frequency	Percentage (%)
Filled in questionnaires	80	80
Non response	20	20
Total	100	100.0

4.1 Background Information

The study aimed to establish the general information about the respondent. The study used this information to base the study finding on the experience of the respondents and familiarity of the respondent to the information that the study sought.

4.1.1 Gender

Gender of the respondents was collected to establish the composition of the respondents as regards to the two sex of male and female.

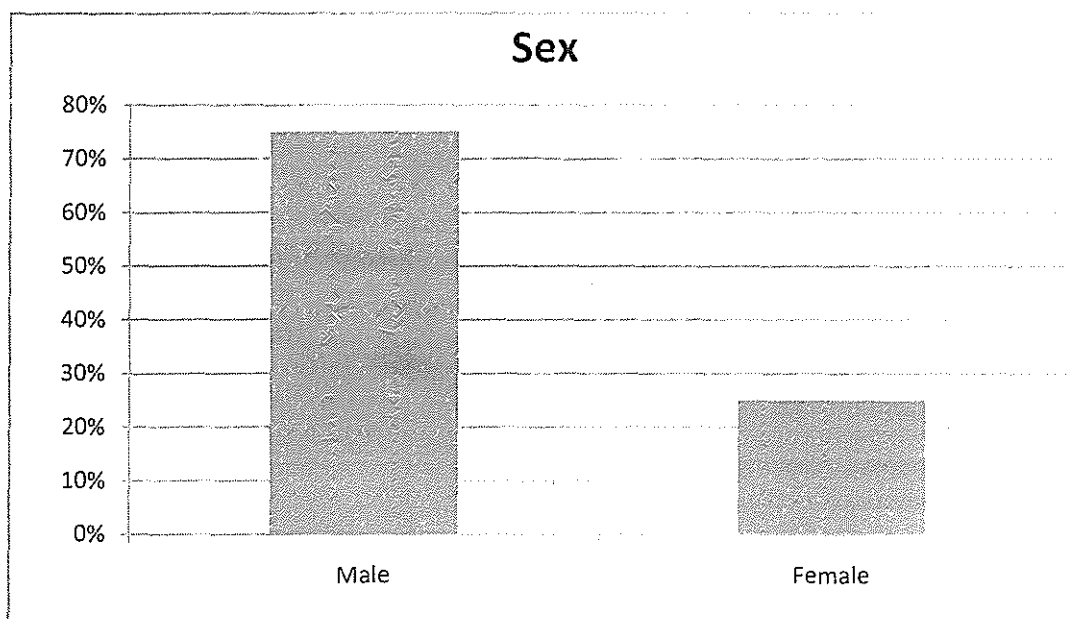
Table.4.2: Showing sex of respondents

	Frequency	Percentage
Male	75	75%
Female	25	25%
Total	100	100%

Source: Primary Data, 2018

Further the study aimed to establish the distribution of respondents gender. According to the study findings most (75%) of the respondents were male while the rest 25% were female. This implies that majority of most of the employees in regulatory bodies are male while their counterpart occupies only small portion.

Figure 4.1: Showing Sex of the Respondents



Source: Primary Data, 2018

Figure 4.1 shows that the biggest percentages of respondents were male with a 75% while the ladies formed only 25% of the respondents.

4.1.2 Age Bracket

The age of the respondents was collected and respondents were categorized to falling in the ages of 21-30, 31-40, 41-50, 51-60, 60 and above.

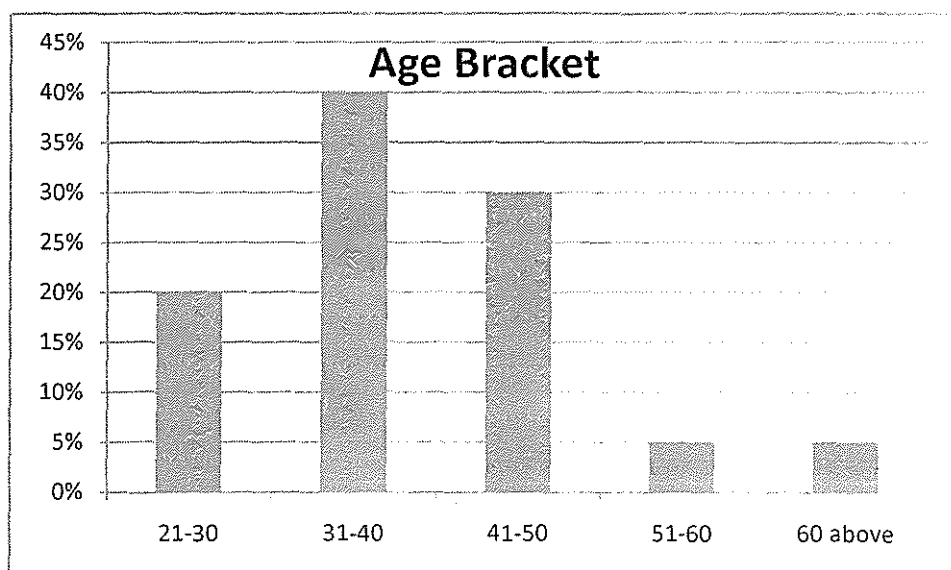
Table 4.3: Showing age bracket

	Frequency	Percentage
21-30	20	20%
31-40	40	40%
41-50	30	30%
51-60	5	5%
60 above	5	5%
Total	100	100%

Source: Primary Data, 2018

From the study table 4.3 shows that 20% of the respondents aged 21-30 years, 40% of aged 31-40 years, 30% aged above 41-50 years while 5% were aged between 51-60 and 60 years and above. This depicts that majority of the regulatory bodies employees were aged between 31-40 years as shown by a total of 40% within the categories.

Figure 4.2: Showing Age Bracket



Source: Primary Data, 2018

Figure 4.2 shows that the bigger portions of the employees were in the age categories of 31-30 and 41-60 which enhanced the validity of the data collected.

4.1.3 Marital Status

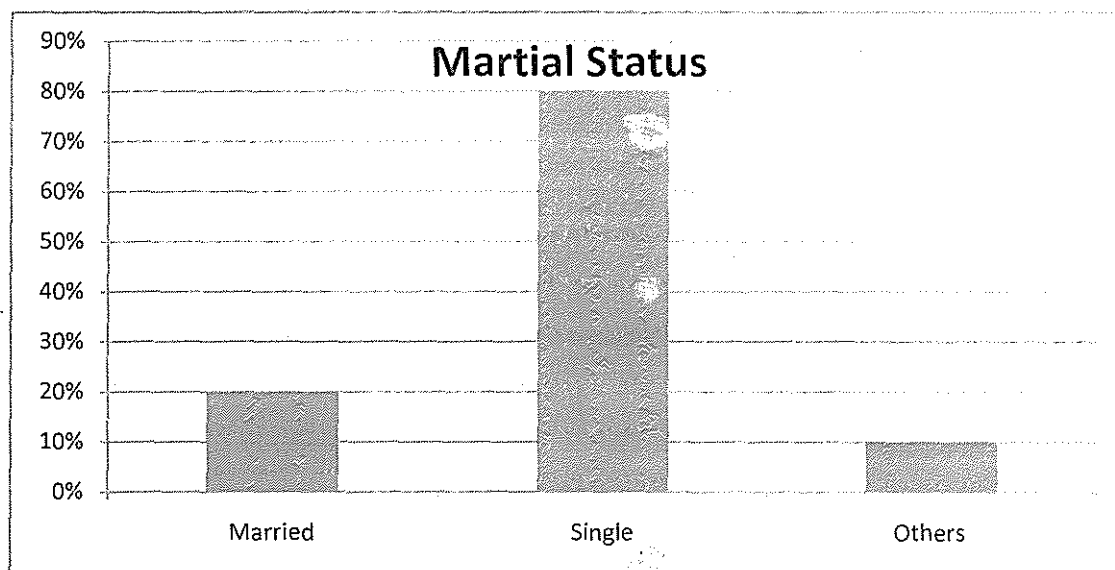
Data was collected from the respondents about their marital status which was in the types of the married, single and divorced.

Table 4.4: Showing marital status

	Frequency	Percentage
Married	20	20%
Single	70	80%
Others	10	10%
Total	100	100%

Source: Primary Data, 2018

Figure 4.3: Showing the Marital status



Source: Primary Data, 2018

The respondents were mainly in the category of the single who formed 80% followed by the married with 20% and others 10% as observed in figure 4.3 above.

4.1.4 Highest level of formal education

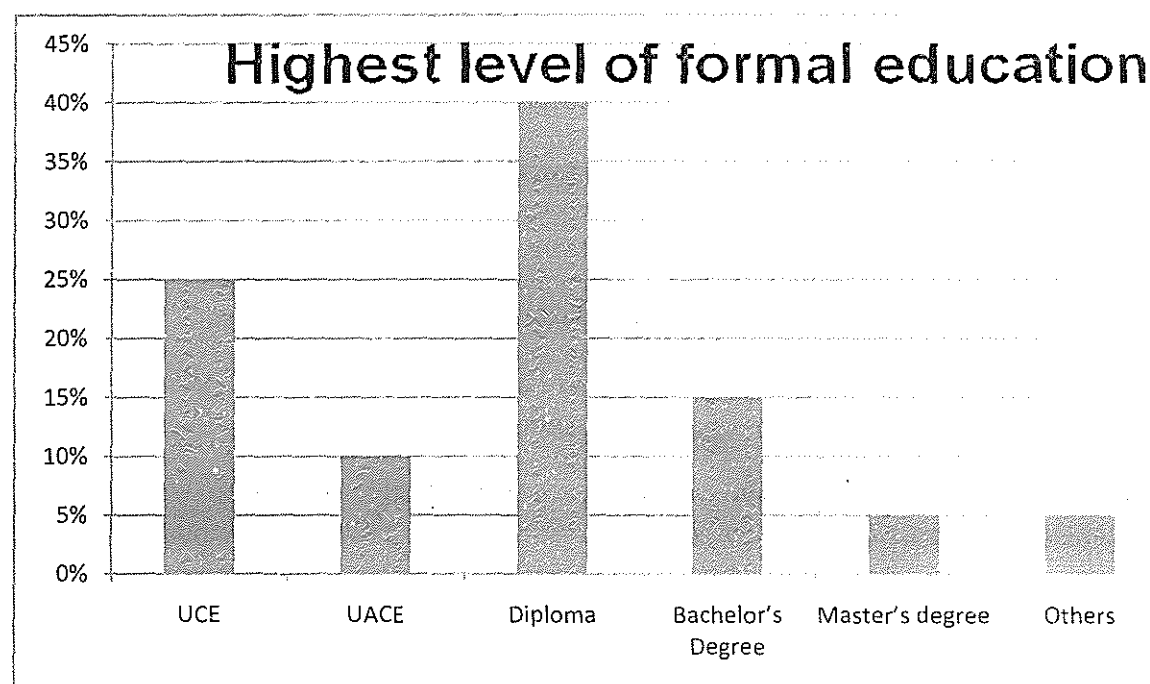
Data was collected from the respondents working at Securex Amenities Limited regarding their highest academic qualifications for the jobs that was categorized into UCE, UACE, Diploma, Bachelor's Degree, Master's Degree and Others.

Table 4.5: showing highest level of formal education

	Frequency	Percentage
UCE	25	25%
UACE	10	10%
Diploma	40	40%
Bachelor's Degree	15	15%
Master's degree	5	5%
Others	5	5%
Total	100	100%

Source: Primary Data, 2018

Figure 4.4: showing the highest level of formal education



Source: Primary Data, 2018

Figure 4.4 above shows that most of the respondents were Uganda Certificate of Education holders who formed 25% of the respondents followed by Diploma holders with 40%, Bachelors

Degree with 15%, Uganda Advanced Certificate of Education holders with 10% and Masters Degree with 5%, and others 5%.

4.1.5 Job title

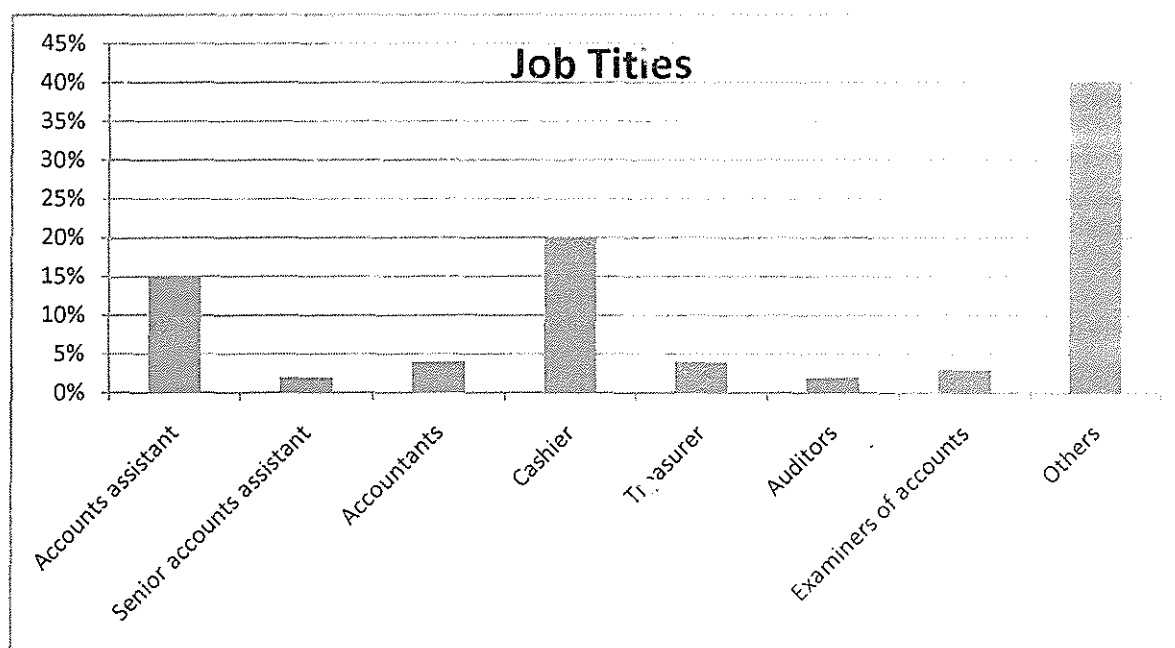
Data was collected from the respondents about their job titles at Securex Amenities Limited

Table 4.6: Showing job titles

	Frequency	Percentage
Accounts assistant	15	15%
Senior accounts assistant	2	2%
Accountants	4	4%
Cashier	20	20%
Treasurer	4	4%
Auditors	2	2%
Examiners of accounts	3	3%
Others	40	40%
Total	100	100%

Source: Primary Data, 2018

Figure 4.5: Showing the job titles of respondents



Source: Primary Data, 2018

Figure 5 above shows that most accounts assistant 15%, senior accounts assistant 2%, accountant 4%, cashier 20%, treasurer 4%, auditors 2%, examiners of accounts 3%, others 40%.

4.1.6 Section

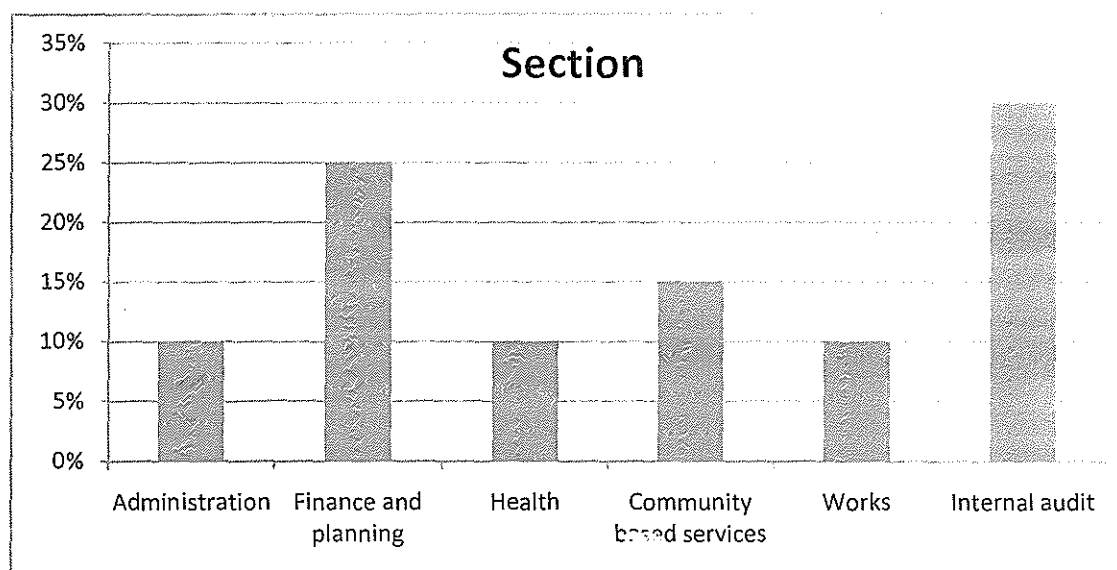
The researcher asked about the section or the department in which the respondents worked in the town council.

Table 4.7: Showing the section where respondents work in Securex Uganda Limited

	Frequency	Percentage
Administration	10	10%
Finance and planning	25	25%
Health	10	10%
Community based services	15	15%
Works	10	10%
Internal audit	30	30%
Total	100	100%

Source: primary data, 2018

Figure 4.6: showing sections where respondents work in Securex Uganda Limited



Source: Primary Data, 2018

Figure 4.6 shows that administrators formed 10% of the respondents, finance and accounting formed 25%, health 10%, and community based services 15%, works 10%, and internal audit 30%.

4.1.8 Number of years in accounting

The researcher sought to find out the number of years respondents have spent in accounting in accounting.

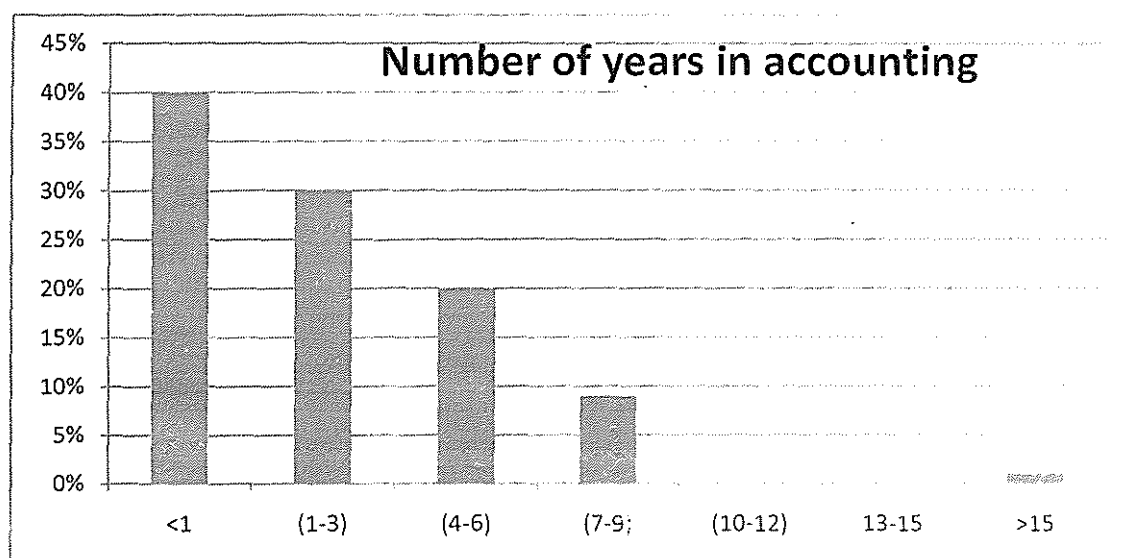
Table 4.8: Showing number of years in accounting

	Frequency	Percentage
<1	30	30%
1-3	50	50%
4-6	10	10%
7-9	9	9%
10-12	1	00%
13-15	0	00%
>15	00	1%
Total	100	100%

Source: Primary Data, 2018

From the findings in table 4.8 most (50%) of the respondents had worked in the organization for a period of 4-6 years, 30% had worked for a period of above 1 years, 10% had worked for a period of 4-6 years while the rest (1%) had served in the organization for a period less than 15 years and non had worked for 10-12 and 13-15 and more. This suggests that most of the respondents of this study had worked for an abundant time inside the association therefore they were familiar of the data that the study looked for relating to the association.

Figure4.7: Showing number of years in accounting



Source: Primary Data, 2018

Figure 4.7 shows that 40% have spent less than 1 one year at in accounting field, 30% have spent one to three years in accounting,, 20% have spent four to six years in accounting, 9% seven to nine years, 1% have spent greater than 15 years in accounting.

4.3 Who are the Directors of the Entity?

4.3.1 Directors of the Entity

Table 4.9: Response on the directors of entity

Financial institution	Frequency	Percentage
Inside director	50	50%
Typical inside directors	30	30%
Outside director	20	20%
Total	100	100

Source: Primary Data, 2018

The researchers requested the respondent to indicate who the directors of entity are. From study results most of respondents (50%) said that Inside directors, 30% said they are Typical inside directors and 20% are outside director. This shows that respondents new that an inside director is a director who is also an employee, officer, chief executive, major shareholder, or someone

similarly connected to the organization. Inside directors represent the interests of the entity's stakeholders, and often have special knowledge of its inner workings, its financial or market position, and so on.

4.3.2 What Kind of Auditing is carried out by Entity

Table 4.10: Kind of Auditing is carried out by Entity

Variable	Strongly agree		Agree		Disagree		Strongly Disagree		Total	
	Freq	Per	Freq	Per	Freq	Per	Freq	Per	Freq	Per
Internal Auditing	70	70%	30	30%	0	0	0	0	100	100
External Auditing	50	50%	30	30%	10	10%	10	10%	100	100
Both	60	60%	10	10%	15	15%	10	10%	100	100

Source: Primary Data 2018

According to the findings in table 4.10, results from respondents showed that 70(70%) of the respondents strongly agreed on internal auditing as a form of auditing being used in the organisation, 30(30%) agreed whereas none of the respondents either disagreed or strongly disagreed.

More so, findings showed that 50(50%) of the respondents strongly agreed that external auditing practices is being used in the entity, 30(30%) respondents agreed, 10 (10%) respondents agreed whereas 10(10%) respondents disagreed this therefore implied that there is external auditing in Securex Amenities Uganda Limited.

Lastly, findings showed that 60(60%) respondents strongly agreed that the entity uses both external and internal auditing, 10(10%) respondents agreed, 15 (15%) respondents disagreed, and whereas 10 (10%) respondents strongly disagreed.

4.4 Auditing Practices carried out by auditors in Securex Amenities Ltd

Table 4.11: Response on Auditing Practices carried out by auditors in Securex Amenities Ltd.

Response	Strongly Agree		Agree		Not Sure		Disagree		Strongly Disagree		Total	
	F	%	F	%	F	%	F	%	F	%	F	%
auditors are always using internal auditing practices.	50	50.0	25	25	8	8.0	10	10.0	2	2.0	100	100
there are clear procedures for auditing Practices making use of books for accounts.	58	58.0	10	10.0	10	10.0	15	15.0	7	7	100	100
functional areas within auditing practices are dependent from each other.	65	65.0	15	15.0	9	9.0	11	11.0	00	00	100	100
Internal Audit has contributed to the efficient utilization of Securex Amenities Ltd resources including cash.	45	45.0	32	32.0	8	8.0	13	13.0	2	2.0	100	100
Internal audit function has always been able to efficiently select books of accounts for performance.	50	50.0	27	27	0	0.00	18	18.0	5	5.0	100	100
Internal Audit routinely prepares and reports information on books of accounts management.	55	55.0	25	25.0	8	8.0	8	8.0	4	4.0	100	100
Internal audit function minimizes and identifies areas weaknesses in books of accounts collection operations	54	54.0	22	22.0	10	10.0	14	14.0	00	00	100	100
Internal audit has set up internal checks and controls on the verifying of books of accounts.	60	60.0	23	23.0	8	8.0	5	5.0	4	4.0	100	100
Books of accounts are verified from different sources	50	50.0	27	27	0	0.00	18	18.0	5	5.0	100	100
There are frequent surveys to identify new potential auditing practices.	50	50.0	25	25.0	8	8.0	10	10.0	2	2	100	100

Source: Primary Data 2018

The data collected in table 4.11 shows that:

The auditors are always recording using internal Auditing practices had 50% of the respondents who strongly agreed, 25% agreed, 8% were not sure, 10% respondents disagreed and 2%strongly disagreed.

58% of the respondents strongly agreed that there are clear procedures for Auditing Practices making verify of books for accounts, 10% agreed, 10% were not sure, 15% disagreed and 7% strongly disagreed.

‘All functional areas within Auditing practices are Independent from each other’ had 65% of the respondents who strongly agreed, 15% agreed, 9% were not sure, 11% of the respondents disagreed and none strongly disagreed.

45% of the respondents strongly agreed that Internal Audit has contributed to the efficient utilization of Securex Amenities Ltd resources including cash, 32% agreed, 8% were not sure and 13% of the respondents strongly disagreed and 2% disagreed.

Internal audit function has always been able to efficiently project books of accounts performance had 50% of the respondents who strongly agreed, 27% agreed, none of the respondents were not sure, 18% disagreed and 5% of the respondents strongly disagreed.

Internal Audit routinely captures and reports information on books of accounts management had 55% respondents who strongly agree, 25% agreed, 8% were not sure, 8% of respondents disagreed and 4% of the respondents strongly disagreed

Internal audit function minimizes and identifies areas of weaknesses in books of accounts collection operations had 54% of the respondents who strongly agreed. 22% agreed. 10% were not sure, 14% disagreed and none strongly disagreed,

Internal audit has set up internal checks and controls on the verifying of books of accounts had 60% respondents who strongly agreed, 23% agreed, 8% were not sure, 5% disagreed and 4% strongly disagreed.

Books of accounts are verified from different sources had 50% respondents who strongly agreed, 27% agreed, none were not sure about the statement. 18% disagreed and 5% strongly disagreed.

There are frequent surveys to identify new potential auditing practices had 50% respondents who strongly agreed, 25% agreed, 8% were not sure about the statement, 10% disagreed and 2% strongly disagreed.

4.5 Has Auditing helped to improve decision making to directors of Securex Amenities Ltd

Table 4.12: Showing how has Auditing helped to improve decision making to directors of Securex Amenities Limited

Response	Strongly Agree		Agree		Not Sure		Disagree		Strongly Disagree		Total	
	F	%	F	%	F	%	F	%	F	%	F	%
Auditing practices are relevant (information makes a difference in decisions)	34	34.0	45	45.0	0	0.0	34	21.0	0	0.0	100	100
Decision making from the auditing has helped to the efficiency of the organisation.	50	50.0	33	33.0	10	10.0	10	5.0	10	2.0	100	100
A transparent base of books of accounts is maintained	30	30.0	40	40.0	6	6.0	13	13.0	11	11.0	100	100
Effective action is undertaken against defaulters and corrupt employees.	70	70.0	15	15.0	0	0.0	10	10.0	5	5.0	100	100
There is adequate resources and information for decision making.	56	56.0	27	27.0	8	8.0	6	6.0	3	3.0	100	100
There is a legal backing and official support on the decision making.	55	55.0	25	25.0	8	8.0	8	8.0	4	4.0	100	100
Decision making procedures are properly checked by internal control.	54	54.0	22	22.0	10	10.0	14	14.0	0	0.0	100	100
Auditing practices are understandable (users of information are able to comprehend its meaning)	60	60.0	23	23.0	8	8.0	5	5.0	4	4.0	100	100
Internal audit ensures decisions are correctly computed on all contracts, contracts and businesses	50	50.0	27	27.0	0	0.0	18	18.0	5	5.0	100	100
Internal audit ensures that decision making is issued intact immediately	50	50.0	25	25.0	8	8.0	10	10.0	2	2.0	100	100

Source: Primary Data 2018

From the table 4.12 above it shows that, 34% and 45% of the respondents strongly agreed and agreed respectively with Auditing practices are relevant (information makes a difference in decisions) and none of the respondents were not sure, and disagreed 2% strongly disagreed.

50% strongly agreed, 33% agreeing as Decision making from the auditing as helped to the continuity of the organisation. While 10% respondents were recorded for not being sure, 5% disagreed and 2% strongly in disagreed.

40% of the respondents Agreed in respect with a data base of books of accounts is maintained. 30% strongly agreed, 6% of the respondents were not sure, 13% disagreed and 11% strongly disagreed.

“Corrective action is undertaken against defaulters and corrupt employees” as a way how has Auditing helped to improve decision making to directors of Securex Amenities Limited was strongly agreed upon 70% of the respondents, 15% agreed, none of the respondents were not sure, 10% strongly disagreed and 5% disagreed.

There are adequate resources and facilitation for decision making was strongly agreed upon by 56% of respondents, 27% agreed, 8% were not sure, 6% strongly disagreed and 3% disagreed.

There is a legal backing and political support on the decision made which was strongly agreed upon by 55% of respondents, 25% agreed, 8% were not sure, 8% strongly disagreed and 4% disagreed

54% strongly agreed, 22% agreeing as Decision making procedures are properly checked by internal audit. While 10% respondents were recorded for not being sure. 14% disagreed and none strongly disagreed.

Auditing practices are understandable (users of that information are able to comprehend its meaning) was strongly agreed upon by 60% of respondents, 23% agreed, 8% were not sure, 5% disagreed and 4% strongly disagreed.

Internal audit ensures decisions are correctly computed on all works, contracts and businesses was strongly agreed upon by 50% of respondents, 27% agreed, none were not sure, 18% disagreed and 4% strongly disagreed.

Internal audit ensures that decision making is issued intact and immediately was strongly agreed upon by 50% of respondents, 25% agreed, 8% were not sure. 10% disagreed and 2% strongly disagreed.

From the table 4.12, it is shown that Auditing practices suggested by the researcher are workable to improve decision making to directors of Securex Amenities Ltd as suggested by the researcher. These were agreed upon in almost the same terms with an average of 75% of the respondents who agreed and strongly agreed.

4.6 Auditing practice helped in detecting and controlling of frauds and errors in the financial books of Securex Amenities Ltd

Table 4.13: Showing how Auditing practice helped in detecting and controlling of frauds and errors in the financial books of Securex Amenities Ltd

Issue	Strongly Agree		Agree		Not Sure		Disagree		Strongly Disagree		Total	
	F	%	F	%	F	%	F	%	F	%	F	%
fraud detection, and fraudulent activities are inherently undetectable and difficult to detect and they affect the performance of the company	50	50.0	25	25	8	8.0	10	10.0	2	2.0	100	100
Securex Amenities frauds are detected by the internal audit function.	58	58.0	10	10.0	10	10.0	15	15.0	7	7	100	100
Measures that can enhance the efficiency of auditors are important for effective fraud detection	65	65.0	15	15.0	9	9.0	11	11.0	00	00	100	100
Auditor's conscientiousness correlates with performance just as strongly as cognitive ability	45	45.0	32	32.0	8	8.0	13	13.0	2	2.0	100	100
Auditors in my organization are qualified to undertake audit function	50	50.0	27	27	0	0.00	18	18.0	5	5.0	100	100
Auditing practices are reliable (information must be free of error and bias)	55	55.0	25	25.0	8	8.0	8	8.0	4	4.0	100	100
Auditing practices are accurate (the recorded value is in conformity with the actual value)	54	54.0	22	22.0	10	10.0	14	14.0	00	00	100	100
Auditing practices are timely (providing information in the timely manner and errors in the financial books)	60	60.0	23	23.0	8	8.0	5	5.0	4	4.0	100	100
Auditing practices are comparable (ability to compare frauds and errors of different companies because they use the same accounting principles)	50	50.0	27	27	0	0.00	18	18.0	5	5.0	100	100
Detecting of frauds and errors is consistent (use of same auditing principles and methods from year to year with in the same company).	50	50.0	25	25.0	8	8.0	10	10.0	2	2	100	100

Source: Primary Data 2018

The data collected in table 4.13 above shows that:

Fraud detection, and fraudulent activities are inherently unpredictable and difficult to detect and they affect the performance of the company 50% of the respondents who strongly agreed, 25% agreed, 8% were not sure, 10% respondents disagreed and 2%strongly disagreed.

58% of the respondents strongly agreed that In Securex Amenities frauds are identified by the internal audit function, 10% agreed, 10% were not sure, 15% disagreed and 7% strongly disagreed.

‘Measures that can enhance the efficacy of auditors are important for effective fraud detection’ had 65% of the respondents who strongly agreed, 15% agreed, 9% were not sure. 11% of the respondents disagreed and none strongly disagreed.

45% of the respondents strongly agreed that conscientiousness correlates with task performance just as strongly as cognitive ability, 32% agreed, 8% were not sure and 13% of the respondents strongly disagreed and 2% disagreed.

The auditors in my organization are qualified to undertake audit function had 50% of the respondents who strongly agreed, 27% agreed, none of the respondents were not sure, 18% disagreed and 5% of the respondents strongly disagreed.

Auditing practices are reliable (information must be free of error and bias) had 55% respondents who strongly agree, 25% agreed, 8% were not sure. 8% of respondents disagreed and 4% of the respondents strongly disagreed.

Auditing practices are accurate (when the recorded value is in conformity with the actual value) had 54% of the respondents who strongly agreed, 22% agreed, 10% were not sure. 14% disagreed and none strongly disagreed.

Auditing practices are timely (providing information in the frauds and errors in the financial books) had 60% respondents who strongly agreed, 23% agreed, 8% were not sure. 5% disagreed and 4% strongly disagreed.

Auditing practices are comparable (ability to compare frauds and errors of different companies because they use the same accounting principles) had 50% respondents who strongly agreed. 27% agreed, none were not sure about the statement, 18% disagreed and 5% strongly disagreed.

Detecting of frauds and errors is consistent (use of same auditing principles and methods from year to year with in the same company) had 50% respondents who strongly agreed, 25% agreed, 8% were not sure about the statement, 10% disagreed and 2% strongly disagreed.

CHAPTER FIVE

DISCUSSION OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter provides a discussion on the major findings of the study, conclusion and recommendations. The study assessed and established Auditing practices and financial performance in business organisations in Kampala central division, a case study of Securex Amenities limited Kampala Uganda. The discussion is done in line with the study objectives which include to examine Auditing Practices carried out by auditors in Securex Amenities Ltd to verify books of accounts of the organization, to examine how has Auditing helped to improve decision making to directors of Securex Amenities Limited and to determine how Auditing practice helped in detecting and controlling of frauds and errors in the financial books of Securex Amenities Ltd quality of financial statements.

5.1 Discussion of findings

5.1.1 How Auditing Practices carried out by auditors in Securex Amenities Ltd to verify books of accounts of the organization.

The findings indicate that the majority of the respondents agreed that auditing practices carried out by auditors in Securex amenities Ltd verify books of accounts of the organisation. This is evidenced in the strong agreements to questions sought by the researcher for example on whether the auditors are always recording using internal Auditing practices, had 50% of the respondents who strongly agreed, 25% agreed, 8% were not sure, 10% respondents disagreed and 2%strongly disagreed, whether there are clear procedures for Auditing Practices making verify of books for accounts with 58% of the respondents strongly agreed, 10% agreed, 10% were not sure, 15% disagreed and 7% strongly disagreed and whether All functional areas within Auditing practices are Independent from each other with 65% of the respondents who strongly agreed, 15% agreed, 9% were not sure, 11% of the respondents disagreed and none strongly disagreed a 93.3% on strongly agree and whether Internal audit function has always been able to efficiently project books of accounts performance had 50% of the respondents who strongly agreed, 27% agreed,

none of the respondents were not sure, 18% disagreed and 5% of the respondents strongly disagreed.

5.1.2 Has Auditing helped to improve decision making to directors of Securex Amenities

The findings indicate that the majority of the respondents agreed that Auditing has helped to improve decision making to directors of Securex Amenities. This is supported by the strong agreements for the questions that the researcher sought the respondents to provide responses for example From the table 11 above, 34% and 45% of the respondents strongly agreed and agreed respectively with Auditing practices are relevant (information makes a difference in decisions) and none of the respondents were not sure, and disagreed 2% strongly disagreed, and whether Decision making from the auditing as helped to the continuity of the organisation with 50% strongly agreed, 33% agreeing, while 10% respondents were recorded for not being sure, 5% disagreed and 2% strongly in disagreed and whether Corrective action is undertaken against defaulters and corrupt employees with strongly agreed upon 70% of the respondents, 15% agreed, none of the respondents were not sure, 10% strongly disagreed and 5% disagreed and whether There is a legal backing and political support on the decision made which was strongly agreed upon by 55% of respondents, 25% agreed, 8% were not sure, 8% strongly disagreed and 4% disagreed.

5.1.3 How Auditing practice helped in detecting and controlling of frauds and errors in the financial books of Securex Amenities Ltd.

The findings indicate that the majority of the respondents strongly agreed whether Fraud detection, and fraudulent activities are inherently unpredictable and difficult to detect and they affect the performance of the company 50% of the respondents who strongly agreed, 25% agreed, 8% were not sure, 10% respondents disagreed and 2%strongly disagreed, whether frauds are identified by the internal audit function with 58% of the respondents strongly agreed that In Securex Amenities, 10% agreed, 10% were not sure, 15% disagreed and 7% strongly disagreed, and whether Measures that can enhance the efficacy of auditors are important for effective fraud detection with 65% of the respondents who strongly agreed, 15% agreed, 9% were not sure, 11% of the respondents disagreed and none strongly disagreed and whether the auditors in my organization are qualified to undertake audit function with 50% of the respondents who strongly

agreed, 27% agreed, none of the respondents were not sure, 18% disagreed and 5% of the respondents strongly disagreed.

5.2 Conclusions

5.2.1 How Auditing Practices carried out by auditors in Securex Amenities Ltd to verify books of accounts of the organization.

The study revealed that there was greater variation in financial performance of Securex amenities due to changes in internal audit standards, independence of internal audit, professional competency and internal control; Based on the findings, it can be concluded that the level of Auditing practices in Securex Amenities is to some extent reaching the set targets. For example the findings indicate that the majority of the respondents that changes in financial performance of securex Amenities could be accounted for by changes in internal audit standards, independence of internal audit, professional competency and internal control. The study also established that there was a strong positive relationship between financial performance of securex amenities and internal audit standards, independence of internal audit, professional competency and internal control.

5.2.2 Has Auditing helped to improve decision making to directors of Securex Amenities

Generally, the study showed that auditing has helped to improved decision making to directors if Securex amenities. Auditing practices are relevant (information makes a difference in decisions).

It concludes that Auditing helped to improve decision making within the organization happen when there is relevant Auditing and unity between members or individuals. Reducing mistakes, quality outputs, proper decision making and financial performance are the variety of criteria through which the financial performance of the organisation is evaluated accordingly

The study concludes that decision provides an atmosphere for the directors/members where members can deliberate and discuss their mistakes, accept criticism and freely express their feelings so this lead to more synergy.

Proper decision making inside the organization occurs when there is collaboration and unity between each individual of organisation. Reducing blunders/mistakes, quality out puts.

enlargement in productivity/production and customer fulfillment are the variety of standards over which the financial performance of the organisation is estimated.

5.2.3 How Auditing practice helped in detecting and controlling of frauds and errors in the financial books of Securex Amenities Ltd.

The study found that measures that can enhance the efficiency of auditors are important for effective fraud detection. The study concluded internal Controls audits in the organization have features built into them to ensure that fraudulent transactions are flagged or made difficult to transact. The study further concludes that an internal auditor must be independent of both the personnel and operational activities of an organization.

It concludes that recognition is the primary emphasis of controlling frauds and errors in financial books of Securex amenities Ltd. To this end, auditors and managers that are performing in extreme level of organizations know and constantly capture the benefits of the controlling frauds and errors. Collecting of Frauds and errors show that there is collective strength of the organisation.

5.4 Recommendations

There is need for the internal auditors to continuously update themselves with the changing times and technologies and sharpen their skills. By applying skills to the most critical points, building personal and professional credibility and recognising and responding to the needs, internal auditors can become indispensable thus speeding good governance and enhancing efficiency of internal audit.

The management of Securex Amenities should keep organizing seminars and workshops whereby these internal auditors would be trained frequently by experts either internally or externally. Internal Auditors must have sufficient proficiency and training to carry out the tasks assigned to them. The auditor's work must be carefully directed, supervised and reviewed. The amount of supervision required corresponds to the experience and skill of the auditor.

The head of the internal audit department should be responsible to the management/board in the organisation with sufficient authority to promote independence and to ensure broad audit coverage, adequate consideration of audit reports, and appropriate action on audit recommendations.

The management of Securex Amenities should also procure the latest ICT audit software's. This would enhance fast delivery of services and detection of frauds or any mischief in this field. Internal auditors should be fully trained on how to use the software's and fresher courses should also be increased in this regard. Frequent upgrading of the software's should be done to keep abreast with the changing technology.

5.5 Suggested areas for future study

Much as the study aimed at covering most of the relevant theme, Auditing practices and financial performance in business organisations in Kampala central division are a very broad issue that it cannot easily be exhausted in a single research. Other research need to be done in this field specifically on the following

This research recommends a similar study to be done but concentrate on the parastatals and government ministries.

There is need for a study to be conducted to determine the challenges facing internal audit in business organisations, this will help in enhancing the internal audit in the business organization in Uganda and thus positively affecting their performance.

There is need for a study to be conducted on the roles and challenges of internal auditing in the business organization in Uganda.

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APPENDICES

Appendix I. Questionnaire

I **Nambogo Joanitah** a Kampala International University pursuing a Degree of Business administration. Am currently doing my Research entitled Auditing practices and financial performance. I kindly request you to answer these questions with honesty that would help me successfully finish my course as a partial fulfillment of the award of my Degree. I assure you that this information will be treated with strict confidentiality for my study purpose.

1.1 Name, contacts and other information

SECTION A

Background information

Please put a tick in the cell corresponding to the option that best suits your situation

1.	Sex	Male	Female				
2.	Marital status	Married			Single		
If other, please specify:							
3.	Age bracket	21-30	31-40	41-50	51-60	above 60	
4.	Highest level of formal education	UCE	UACE	Diploma	First Degree		Master's Degree
If other, please specify:							
5.	Job title	Accounts assistant	Senior accounts assistant	Accountant	Cashier	Treasure	Auditor
							Examiner of accounts
If other, please specify:							
6.	Section	Administration		Finance and	Health	Community	Works
							Internal

				planning		based services		audit
If other, please specify:								
7.	No. of years in accounting	Less than 1yr	1-3	4-6	7-9	10-12	12-14	More than 15 yrs

8. Who are the Directors of the Entity?

- 1.....
- 2.....
- 3.....
- 4.....

1.2 which kind of Auditing is carried out by Entity

Kind of auditing	Internal Auditing	External Auditing	Both
Strongly agree			
Agree			
Not sure			
Disagree			
Strongly disagree			

SECTION B:

Use the scale below to answer the following questions.

Strongly agree (SA), Agree (A), not sure (NS), Disagree (D), and Strongly Disagree (SD)

The Auditing Practices carried out by auditors in Securex Amenities Ltd.

No.	Question	SA	A	NS	D	SD
1.	The auditors are always recording using internal Auditing practices.					
2.	There are clear procedures for Auditing Practices making verify of books for accounts.					
3.	All functional areas within Auditing practices are Independent from each other.					
4.	Internal Audit has contributed to the efficient utilization of Securex Amenities Ltd resources including cash.					
5.	Internal audit function has always been able to efficiently project books of accounts performance.					
6.	Internal Audit routinely captures and reports information on books of accounts management.					
7.	Internal audit function minimizes and identifies areas of weaknesses in books of accounts collection operations					
8.	Internal audit has set up internal checks and controls on the verifying of books of accounts.					
9.	Books of accounts are verified from different sources					
10.	There are frequent surveys to identify new potential auditing practices.					

SECTION C:

Use the scale below to answer the following questions

Strongly agree (SA), Agree (A), not sure (NS), Disagree (D), and Strongly Disagree (SD)

How has Auditing helped to improve decision making to directors of Securex Amenities Limited

	QUESTION	SA	A	NS	D	SD
1.	Auditing practices are relevant (information makes a difference in decisions)					
2.	Decision making from the auditing as helped to the continuity of the organisation.					
3.	A data base of books of accounts is maintained					
4.	Corrective action is undertaken against defaulters and corrupt employees.					
5.	There is adequate resources and facilitation for decision making.					
6.	There is a legal backing and political support on the decision made.					
7.	Decision making procedures are properly checked by internal audit.					
8.	Auditing practices are understandable (users of that information are able to comprehend its meaning)					
9.	Internal audit ensures decisions are correctly computed on all works, contracts and businesses					
10.	Internal audit ensures that decision making is issued intact and immediately					

SECTION D:

Use the scale below to answer the following questions

Strongly agree (SA), Agree (A), not sure (NS), Disagree (D), and Strongly Disagree (SD)

How Auditing practice helped in detecting and controlling of frauds and errors in the financial books of Securex Amenities Ltd

	QUESTION	SA	A	NS	D	SD
1.	Fraud detection, and fraudulent activities are inherently unpredictable and difficult to detect and they affect the performance of the company					
2.	In Securex Amenities frauds are identified by the internal audit function					
3.	Measures that can enhance the efficacy of auditors are important for effective fraud detection					
4.	conscientiousness correlates with task performance just as strongly as cognitive ability					
5.	The auditors in my organization are qualified to undertake audit function					
6.	Auditing practices are reliable (information must be free of error and bias)					
7.	Auditing practices are accurate (when the recorded value is in conformity with the actual value)					
8.	Auditing practices are timely (providing information in the frauds and errors in the financial books)					
9.	Auditing practices are comparable (ability to compare frauds and errors of different companies because they use the same accounting principles)					
10.	Detecting of frauds and errors is consistent (use of same auditing principles and methods from year to year with in the same company).					

NOTE: Once again I wish to assure you that the information you have provided will be treated with strict confidentiality.

Kindly certify this information.

Name:.....

Signature.....Date.....

Stamp.....

Appendix II: Time framework or Work plan

ACTIVITIES	2017	2018	2017	2018	2018	2018	2018	2018
Months	October	November	December	January	February	March	April	May
Concept development and Review								
Drafting proposal								
Purchasing material								
Data collection								
Data Analysis								
Dissertation Writing								
Submission								

Appendix III: Estimated Budget

Proposed Budget Item	Qty		Amount
Transport			30,000
Communication (At)			20,000
Printing	100 Pages	500	50,000
Food	10 Plates	4000	40,000
Drinks	20bottles	1,000	20,000
Internet	240hrs	1000 Per 60 Mins	24,000
Fee			
Pens	5pens	500	2500
Typing Fee	Loop ages	600	60,000
Binding	6	2,500	15,000
Total			261,500



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**COLLEGE OF ECONOMICS AND MANAGEMENT
DEPARTMENT OF ACCOUNTING AND FINANCE**

May, 10th 2018

To whom it may concern

Dear Sir/Madam,

**RE: INTRODUCTORY LETTER FOR NAMBOGO JOANITAH
REG NO BBA/45443/143/DU**

This is to introduce to you the above named student, who is a bonafide student of Kampala International University pursuing a Bachelor's Degree in Business Administration, Third year Second semester.

The purpose of this letter is to request you avail her with all the necessary assistance regarding her research.

**Topic: - AUDITING PRACTICES AND FINANCIAL PERFORMANCE
IN BUSINESS ORGANISATIONS IN KAMPALA CENTRAL
DIVISION.**

Case Study: - SECUREX AMMENITIES LIMITED KAMPALA UGANDA.

Any information shared with her from your organization shall be treated with utmost confidentiality.

We shall be grateful for your positive response.

Yours truly,

**DR. JOSEPH B.K. KIRABO
HOD – ACCOUNTING AND FINANCE
0772323344**



SecureX
Ammenities Ltd

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P.O. Box 3015, Kampala, Uganda.
Tel: 0414 341 402
email: securexammenitiesltd@gmail.com

12TH May, 2018

TO,
MISS NAMBOGO JOANITAH

RE: APPROVAL TO CARRY OUT RESEARCH FROM OUR ORGANISATION

In reference to the letter dated 10th may, 2018 written to us from Kampala International University, we hereby approve you to go ahead and carry out the necessary research required starting from 14th may 2018.

The administration will be willing and ready to provide to you all the information you will need during that period of your research about our organization.

We are therefore looking forward to working with you to help you excel.

Yours Truly,

Ahimbisibwe Vivian
Administrator