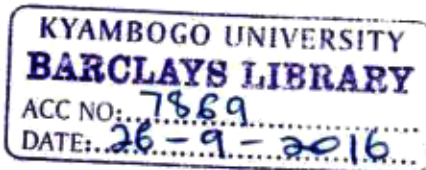


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**INTERNAL AUDITING AND FINANCIAL PERFORMANCE OF PUBLIC  
INSTITUTIONS IN UGANDA; A CASE STUDY OF KYAMBOGO  
UNIVERSITY**



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**BY**  
**OLUM DENIS**  
**12/U/307/GMBA/PE**

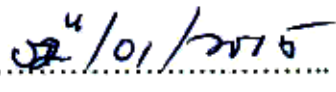
**A DISSERTATION SUBMITTED TO THE GRADUATE SCHOOL IN  
PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR  
THE AWARD OF MASTER'S DEGREE IN  
BUSINESS ADMINISTRATION OF  
KYAMBOGO UNIVERSITY**

**DECEMBER, 2014**

**DECLARATION**

I, **Olum Denis**, hereby declare that this dissertation is my original work and has, to the best of my knowledge, not been published and/or submitted to any other University before for degree award.

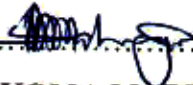
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**APPROVAL**

This is to certify that this dissertation has been submitted for examination in partial fulfillment for the award of Master's Degree in Business Administration with our approval as University Supervisors.

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**SECOND SUPERVISOR**

### **DEDICATION**

I dedicate this work to my late father, Mr. Awio Peter and my mother, Mary Arao who have encouraged, prayed and facilitated me at all times. May God bless and reward them abundantly. Not forgetting my wife Achan Kate and my children for their support both morally and materially. Thank you very much and be blessed in the name of Jesus Christ our Lord. When God opens the door no one can close it.

## **ACKNOWLEDGEMENT**

I wish to extend my sincere thanks to all those who helped me to complete this research without whom this work would be impossible.

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I further appreciate the efforts of earlier researchers, scholars, the authors of books, journals and related materials whose documentations, and publications provided a basis/foundation of my study, more especially through reviewing literature.

Finally, I appreciate the services of the secretaries at Computer Classic Centre for their tireless efforts in typesetting this report with due care. Thank you Isaac for your great contribution towards the completion of this course.

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## **ABSTRACT**

The main purpose of this study was to investigate the relationship between Internal Auditing and Financial Performance of Public Institutions in Uganda, a case study of Kyambogo University. The study was guided by the following objectives to: establish the relationship of audit planning on financial performance, establish the relationship of audit procedures on financial performance and establish how audit evidence affects financial performance of Kyambogo University.

A case study research design was adopted which involved, Qualitative and quantitative research approaches. A sample of 92 respondents was selected to participate in the study. The data collection tools used included interview for management and the questionnaire forms for staff. The data was presented, analyzed and interpreted using tables and percentages, correlation and regression analysis.

The study findings revealed a significant positive relationship between Internal Auditing and Financial Performance. Results from the Multiple Ordinary Least Squares (OLS) regression analysis showed that Internal Auditing and Financial Performance predicted 26.7% of the Financial Performance. Audit planning advanced positively affects the levels of Financial Performance but not so strongly (p-value = 0.022). Audit procedures significantly affected the levels of Financial Performance at (p-value = 0.028). Finally, the duration of the audit evidence affected the level of financial performance (p-value = 0.047 &  $r^2=0.311$ ). The practical implication of these findings was that failure to establish an effective internal audit system in the public universities paralyzes the existence of internal audit functions and ruins organizational financial performance, cost-savings opportunities, which may prove critical in trying to effectively meet students' needs while balancing the budget in bid to realize the institution's goals and objectives.

The study deduced that, internal auditing is a continuous process that requires reviewing the internal control systems and efficient audit planning backed by strong audit procedures also enriched by sufficient audit evidence. Kyambogo University had inadequate internal auditing systems due to improper information systems which slowed down financial decision making to safeguard the assets, prevent and detect errors, reviewing the internal control systems.

The study recommends that, the institution's Internal Audit Department should be made independent to allow independent decisions making and reduce the bureaucratic tendencies experienced within the financial controls. Loopholes within the internal control should be revisited annually to prevent and detect fraudulent activities.

## CHAPTER ONE INTRODUCTION



### 1.0 Introduction

This chapter discusses the background to the study, statement of the problem, purpose of the study, objectives of the study, research questions, scope of the study, significance of the study, and the conceptual framework.

### 1.1 Background to the Study

Auditing comes from a Latin word "Audire" meaning "to hear" whereby in ancient days, an auditor was one to whom receipts and payments of an establishment were read and he/she was supposed to hear and determine the accuracy of the statements. Currently he/she examines the accounting records, vouchers to financial statements so as to make an opinion (Orsaah, 2009).

Pradas (2000), states that, Auditing is a process by which accounts of business entities including Government institutions, limited companies, charities, trusts and professional firms are subjected to scrutiny in such detail as will enable the auditors to form an opinion as to the accuracy, truth and fairness of the financial statements. This opinion is then embodied in an audit report addressed to those interested parties who commissioned the audit or to whom the auditors are responsible under statute.

Internal auditing existed from ancient times. Worldwide, many countries look at internal audit from many angles. In Hellenistic Egypt there was a dual administration, with one set of bureaucrats charged with collecting taxes and another with supervising them, (Floch, 2004). In the Republic of China, the Control Yuan is one of the five branches of government, is an investigatory agency that monitors the other branches of government. It acts as an Internal audit in many organizations to detect all the inadequate ideas. This is also done by most organizations in Uganda. Andrew (2010) reported that internal auditing 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.

According to David (2005), Internal Audit is an independent appraisal function, established within an organization to examine and evaluate its operations as a service to the organization to assist members in the effective discharge of their responsibilities. An internal auditor is an employee of the company who carries out internal audit work and he or she reports directly to management. The internal auditing function is key to the promotion of the various stakeholders' interests through quality assurance checks of both financial and non-financial aspects of the organization.

Across many developing countries, Pan African Federation of Accountants (2013), revealed that internal audit helps organizations to accomplish their objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. Internal audit presents financial statements in such a way that they show a "true and fair view of the entry's results and state of affairs or as "present fairly". According to the Auditing and Assurance Study Manual (2007), the objectives of an internal audit system include reviewing the reliability and integrity of financial and operating information, to review operational systems to ensure compliance with rules and regulations which means safeguarding assets, to review accounting and internal control systems, to appraise the economy, efficiency and effective utilization of resources.

Recently, most firms in Uganda today maintain an internal audit function and this has had a rapid development. The structure of the Internal Audit Function varies widely in practice. For example, some have a Chief Audit Executive (CAE) who is a member of senior management and participates at the highest level of the parent organization, while other (IAF) are managed by part of the organization's accounting or finance function. In some cases, the (IAF) is out sourced or combined with other assurance functions like security, quality and compliance which facilitate the standards directive to share information and coordinate activities. The Auditor General's office is responsible for the audit of all Government departments, but the constitution stipulates that Parliament approves an independent firm to do the work (Yunusu & Felix, 2001). The firm referred to above must be of Certified Public Accountants.

Internal audit has today become one of the major activities through which organizations achieve financial performance target, mission and vision. Internal audit engagement is managed through

audit planning, procedures, completion, review and reporting that improve the efficiency and effectiveness. In public organizations, internal audit is managed by examination of financial and operational information, monitoring of internal controls, review of efficiency, economic and effectiveness of operations, review of compliance with laws, regulation and management policies and conducting special investigations. Internal audit helps public servants establish continuous improvement initiatives to achieve value for money of service provision. Additionally, internal audit provides the organization with a clear picture of the health of its project and can instill confidence in public service provider.

Despite the importance of internal audit in financial performance of public institutions, as well as the growing number of practitioners globally, still a large number of public institutions achieve low or average level of financial performance or the performance classed as poor or unsatisfactory. The specific causes of unsatisfactory financial performance have been an area of much debate in finance and accounting literature globally. Kyambogo University has an internal audit department that helps to regulate and ensure compliance with the internal control systems. For instance they provide the audit report to management about internal operations especially auditing receipts and payments. However, The Auditor General report on the financial statement of Kyambogo University (2011/2012), found out that there were omissions in the financial statements, the payable figures were also understated, the report also reveals the salary advances to various staffs was not accounted for. The university was challenged to improve its auditing practices for effective and efficient provision of services. There are inadequate tools that provide support and controls. It is therefore beneficial to be able to control the process performance. The research study aimed at identifying the process-based Key Performance factors (KPFs) that provide the controls of the process and operations. Such indices include evaluating the internal audit processes. These are analyzed through assessing planning, procedures, controls and top management support, adequacy of training and its execution. The study was therefore intended to establish the relationship between Internal Auditing and Financial Performances of Kyambogo University.

## **1.2 Statement of the Problem**

Kyambogo University has a well-established Audit Department to monitor operational performance. Despite the existence of internal audit, the Auditor General Report (FY 2012/2013) cited areas of poor financial performance. It was found out that; there were omissions in the financial statements; the payable figures were also understated. The report also reveals that allowances advanced to staffs were not accounted for, corruption, mismanagement of financial and other resources. The report also provided that over Shs. 600 million paid for allowances and fuel could not be accounted for. What surprises most is how long it took to uncover these despite the existence of an Internal Audit Department. Therefore there was need to conduct a study to establish the relationship between Internal Auditing and Financial Performance of Kyambogo University.

## **1.3 General Objective**

To establish relationship between Internal Auditing and Financial Performance of Kyambogo University. Internal auditing helps in evaluation and improvement of risk management, control and governance processes to enhance strategic and operational as well as financial objectives/goals. Many organizations lack the support from senior management and regulatory bodies, and the internal audit function is often not as independent as desired hence instigating poor financial performance.

## **1.4 Specific Objectives**

- i. To establish relationship between audit planning and financial performance of Kyambogo University.
- ii. To establish relationship between audit procedures and financial performance of Kyambogo University.
- iii. To establish how audit evidence affects financial performance of Kyambogo University.

## **1.5 Research Questions**

- i) What is the relationship between audit planning and financial performance of Kyambogo University?
- ii) What is the relationship between audit procedures and financial performance of Kyambogo University?
- iii) How does audit evidence relate to financial performance of Kyambogo University?

## 1.6 Significance of the Study

The study is important for a number of reasons;

**Policy Makers** may utilize the study findings as a baseline for reviewing policies and strategies to address the prevailing problems of financial performance of Kyambogo University. They will adopt strategies and procedures for the proper management and use of public funds and other public assets.

**Government of Uganda** may utilize the study findings to re- design proper checks on the institutional auditing procedures for better integrated financial management in the public sector.

**Management** in charge of Finance and Administration may utilize the study results to improve the trustworthiness of their internal auditors and rely on them for their stake in the institution. The study will create awareness in and assurance to the public that efforts are being employed to safeguard and efficiently use public funds and other public assets through auditing all Government projects and departments and putting to book the culprits.

**Internal Auditors** will be able to utilize the study findings to plan and assist the Internal auditor *directly* in a financial audit, the internal auditor will be able to clarify, in writing, the type of work to be performed, the estimated amount of time to be devoted to accomplishing the work, and the staff assigned to perform the work.

**Scholars, Academicians and on-going researchers** may use the study results to strengthen further research in the related study through reviewing the materials available in this dissertation.

## 1.7 Scope of the Study

### 1.7.1 Subject Scope

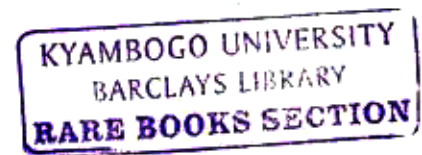
The study focused on examining the relationship between internal auditing and financial performance of Kyambogo University by examining how audit planning, audit procedures and audit evidence influence the financial performance of Kyambogo University.

### **1.7.2 Geographical Scope**

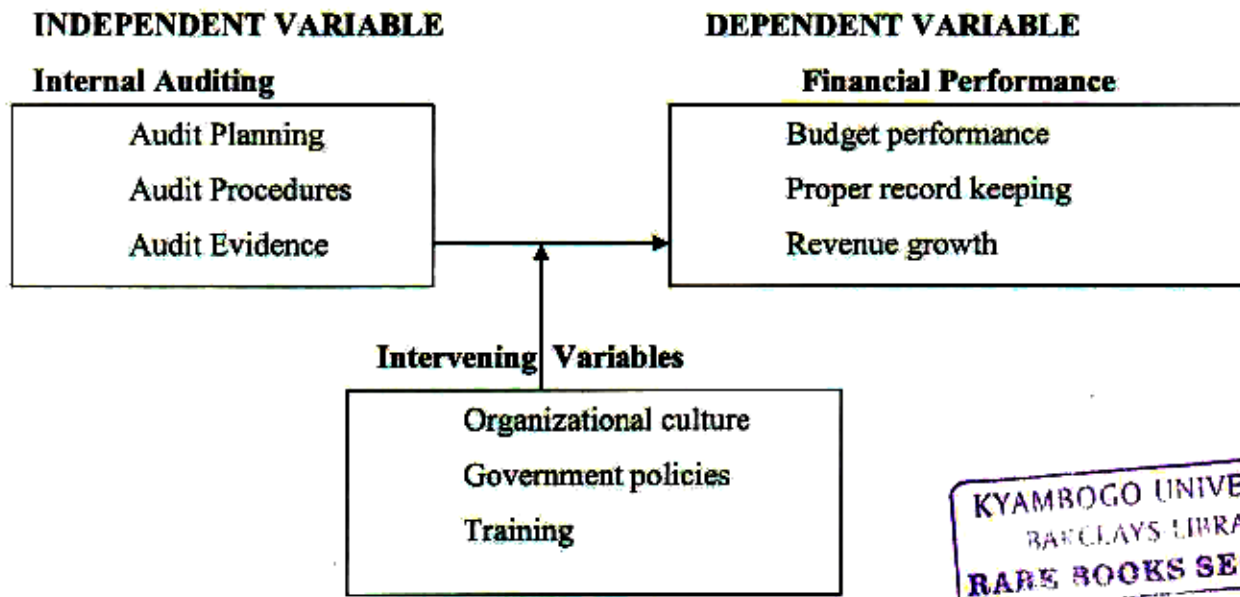
The study was conducted in Kyambogo University. KYU was chosen because its persistent financial crisis in media, that has ruined its public image. The University is Uganda's third public university established by the Universities and Other Tertiary Institutions Act 2001 with the Universities and Other Tertiary institutions' instruments of 2003. It is located in Nakawa Division, 8Km from Kampala city centre. The university is a merger of the former Uganda Polytechnic Kyambogo (UPK), the Institute of Teacher Education, Kyambogo (ITEK), and the Uganda National Institute of Special Education (UNISE). The university has six faculties and a school of management and entrepreneurship and offers post and undergraduate programmes both day and evening. It also offers diplomas some of which are; Diploma in Education Primary (DEPE) and Diploma in Special Needs Education (DSNEE) through distance learning. The overall mission of the university is promoting and advancing knowledge and development of skills in Science, Technology and Education and such other fields having regards for quality, equity, progress and transformation of society.

### **1.7.3 Time Scope**

The study covered financial period from 2011 to date. It is this period within which the university has experienced many finance performance problems and therefore reliable data for this particular study was obtained.



**1.8 Conceptual Framework for Internal Auditing and Financial Performance**



KYAMBOGO UNIVERSITY  
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**Source:** Adopted from COSO Model, (1992) and Modified by the Researcher.

**Figure 1: Conceptual Framework relating Internal Auditing and Financial Performance**

Figure 1 above illustrates that the dependent variable is Internal Auditing while the independent variable is financial performance. However, other moderating variables also known as extraneous variables like organizational culture affect an institution’s internal auditing system as well its financial performance. Hence the study examined the interrelationship between the independent and dependent variable maintaining the intervening variables constant. Planning an audit involves establishing the overall audit strategy for the engagement and developing an audit plan, in order to reduce audit risk to an acceptably low level. Audit Procedure and Policies are methods or techniques used by auditors when conducting an audit exercise. It is essential for auditors to have in mind techniques to employ in the course of examining the books of accounts so as to be able to express their opinion on them (ACCA, 2010). Audit evidence is evidence obtained during a financial audit and recorded in the audit working papers Audit evidence, (Hayes and Wheelwright, S. (2005). Editing ISA 500 Audit Evidence is one of the International Standards on Auditing. It serves to expect the auditor is to obtain audit evidence from an appropriate mix of tests of control systems and substantive tests of transaction and balances. According to Stoner (2003), financial performance refers to the ability to operate efficiently, profitably, survive, grow and react to the environmental opportunities and threats. Auditing and Assurance Standards Board (AUASB, 2006) asserts that, performance is measured by how efficient the enterprise is in use of resources in achieving its objectives. It is the measure of attainment achieved by an individual, team, organization or process. The intervening variables are hypothetical internal states that are used to explain relationships between observed variables, such as independent and dependent variables. For this research the intervening variables included Organizational culture, Government policies and Training. When the internal audit systems are well designed and administered, the audit plans are well laid, and the audit evidence is sufficient, then the institutions, financial performance is improved.



## **Conclusion**

Internal auditing is an integral element of an institution's financial management and increasingly is an instrument for improving performance more specifically in public institutions. Internal auditing is a simple administrative procedure comprised mainly of checking accuracy of transactions, pre-payment verification and control, counting assets and reporting on past events to various types of management. The role of internal auditing can be identified as involving three main elements: evaluation and improvement of risk management, control and governance processes. It is appealing to investigate at this material moment whether public institutions follow Public Sector Internal Audit Standards (PSIAS) to enhance strategic and operational as well as financial objectives/goals. In the Ugandan Context, most of the public sector entities disseminate the internal audit report to an audit committee or senior management. They do not bother to publish the internal auditing findings that depict the level of financial performance. Although there is a general awareness of internal audit standards among audit practitioners, for the most part these standards are not applied. To make the transition from merely ensuring compliance with rules and regulations to truly delivering added value requires more than just organizational changes. Additionally, many organizations lack the support from senior management and regulatory bodies, and the internal audit function is often not as independent as desired. Financial performance refers to measuring the results of a firm's policies and operations in monetary terms. A review of an organization's financial performance helps to re-assess the business' goals and enables management to plan effectively for improvement of the business. The effectiveness of these internal auditing is therefore directly proportional to the extent of a firm's financial performance.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

This chapter reviews the related literature about internal auditing and financial performance.

#### **2.1 Overview of Internal Auditing and Financial Performance**

##### **2.1.1 Internal Audit**

Institute of Internal Auditors (IIA, 2011) defines the internal audit as follows: 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.

Asare (2008) report indicates that internal auditing as "an independent appraisal function within an organization for the review of system of control and the quality of performance as a service to the organization. It objectively examines, evaluates and reports on the adequacy of internal control system to the proper economic, efficient and effective use of resources".

The Institute of Internal Auditors New York (2003) defines Internal Audit as: "an independent, appraisal activity within an organization for the review of accounting, financial and other operations on the basis as a basis of service to the organization. It is a managerial control which functions by measuring and evaluating the effectiveness of other controls".

The Institute of Internal Auditors of UK and Ireland (2003), further suggested that evaluation of internal controls is a key element of audit system. Internal auditors must systematically evaluate the nature of the operation and system of internal control in the section being audited, to assess the reliance that can be placed on controls. The assessment determines the nature, extent and timing of the audit procedures. Internal controls of an organization comprise the plan of organization and methods adopted to safeguard assets, comply with laws and regulations, ensure the completeness and correctness of accounting data, promote efficiency and encourage adherence to management policies.

Internal Audit has been defined as an independent appraisal activity within an organization for the review of accounting, financial and other operations as a basis for service to management. It is a managerial control which functions by measuring and evaluating the effectiveness of other controls, (Tapiwa, 2011).

Internal Audit plays a pivotal role in ensuring that efficient controls are operating in all the activities, be it is liabilities or assets of an Organization. Internal Audit plays a constructive role by rendering service to the management with objective appraisal of systems, procedures, practices, compliance with policies, (IIA, 2011).

The overall objective of internal audit is to assist all members of management in the effective discharge of their functioning, by furnishing them with objective analysis, appraisals, recommendations and pertinent comments concerning the activities reviewed. The internal audit, in essence should be concerned with any phase of business activity wherein it can be of service to management, (Ethanasius, 2009).

Internal Audit is a diverse and specialized function in various fields of auditing. It is a tool used to detect good, bad and the ugly. Internal Audit concept is an attempt to achieve an ideal combination of financial audit, operational auditing and reviews the plans for future.

Internal audit presents financial statements in such a way that they show a "true and fair view of the entry's operations and state of affairs or as "present fairly". According to Audit and Assurance (2007), the scope and objective of the internal audit depends on the size and structure of the entity and the responsibility assigned to it by management.

### **2.1.2 Financial Performance**

According to Stoner (2003), performance refers to the ability to operate efficiently, profitability, survive grow and react to the environmental opportunities and threats. Auditing and Assurance Standards Board (AUASB, 2006), asserts that, performance is measured by how efficient the enterprise is in use of resources in achieving its objectives. It is the measure of attainment achieved by an individual, team, organization or process

Andrew (2010), believes that many firms' low performance is the result of poorly performing assets (businesses). Low performance from poorly performing assets is often related to strategic errors made in the acquisition process in earlier years. For example, some firms acquire businesses with unrealistic expectations of achieving synergy between the acquired assets and their current sets of assets.

According to Benston, (2003), financial performance is the achievement of financial objectives in an organization in an efficient and effective manner. This is triggered by a well-designed, monitored and evaluated audit system by the parties concerned. Most common of them are reviews of financial statements and compilation of all the necessary information to achieving the firm's objectives.

Rezaee (2010), noted that, Financial performance measurement is an integral part of planning and control cycle a measure of the past performance is valuable not only to the current control activities but also to provide data for the future plans which cannot be made realistic without assessment of what happened in the past.

According to Kaplan (2006), the main areas to be analyzed when considering an organization growth are profitability, liquidity, efficiency, and leverage levels as ratio which can be used as organization performance. The firm manager has to continuously evaluate the effectiveness and the efficiency of the organization in terms of profits (Pandey, 2002). Profit is another generally accepted measure to evaluate the business both internally and externally (Porth, 2003). Internal users of the financial information identify profits as a reward for the skills of being a successful entrepreneur.

According to Persson, Marie (2000), an operating profit margin is calculated as a net income plus interest expenses. The proportion of earning or revenue is the operating profits and thus available to

compensate debt and equity capital which indicates the operating margins and reflects the ability to generate revenue and control costs in such a way as to generate a profit.

Pandey (2005), asserts that, the most common way through which managers know whether the organization is performing well financially is by use of the ratio analysis. A financial ratio is used as a benchmark for evaluating the financial performance of the organization. The first step in conducting the audit begins with a definite audit plan. This involves the audit team familiarizing themselves with the auditee's operations through review of the permanent file maintained at the organization's headquarters. Such files include prior working papers, audit reports, newspaper clippings, etc. After completing this review, the field supervisor plans the audit and prepares a detailed set of instructions for the staff.

Study and Evaluation of Internal Control is the second step. Through the use of questionnaires, flow charts and narrative memorandums, the audit process effectively evaluates and auditee's existing internal controls. Internal control is a system under which employee's duties, records, and procedures are designed to make it possible to exercise effective control over assets, liabilities, revenues, and expenditures. The primary objectives for the auditee to establish such a system are to prevent fraud and waste; ensure accuracy of the accounting and other operating data; promote adherence to stated policies; further the efficiency of operations; and ensure conformance with applicable laws, (Saleem, 2006).

Systems devised to achieve the above objectives are usually segregated into two major areas: Accounting Controls (Achieve first two objectives—the means of keeping track of resources), Segregation of duties, Procedural Control—Documentation and Internal Auditors, Physical Inventories, Accounting Function. Administrative Controls (Achieve remaining objectives—the means of using resources) include budgetary Process, organizational Chart—Lines of Responsibility, job description, staffing levels and competence, written procedure policy and minute record. The examiner's conclusions about the existing controls in use, determine the kinds and extent of tests to be conducted, the potential for undetected abuse within accounting system and whether management is diligently exercising its responsibility, (Raghunandan,2005).

## **2.2 The relationship between Audit Planning and Financial Performance**

Ching (2006), states that, planning an audit involves establishing the overall audit strategy for the engagement and developing an audit plan, in order to reduce audit risk to an acceptably low level. The auditor considers involving the engagement team in planning the audit to benefit from the experience and insight of the engagement partner and other key members of the team and to enhance the effectiveness and efficiency of the planning process.

According to Okafor & Ibadin (2009), The audit plan consists of a detailed plan of the nature, timing and extent of audit procedures to be performed by engagement team members in order to obtain sufficient appropriate audit evidence to reduce audit risk to an acceptably low level. The audit plan also serves as a record of the proper planning and performance of the audit procedures that can be reviewed and approved prior to the performance of further audit procedures.

Asare et.al (2008), lamented that, the audit plan includes: The details of the nature, timing and extent of planned risk assessment procedures sufficient to assess the risks of material misstatement, as determined under ISA 315 “Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement”; A comprehensive description (or program) of the planned nature, timing and extent of further audit procedures at the assertion level for each material class of transactions, account balance, and disclosure, as determined under ISA 330 “The Auditor’s Procedures in Response to Assessed Risks”. The plan for further audit procedures includes whether the auditor intends (or is required) to test the operating effectiveness of controls and the nature, timing and extent of planned substantive procedures; and Such other audit procedures required to be carried out for the engagement in order to comply with ISAs (for example, seeking direct communication with the entity’s lawyers),

The internal audit activity is a planned activity, a process that is done based on risk analysis and associated activities is intended to add value to the entity being audited. The auditor should plan the audit in a manner which ensures that the mission will be accomplished in terms of economy, efficiency, effectiveness and the agreed date. Audit planning is to build a comprehensive strategy and detailed approaches to the nature, duration and extent of audit coverage planned.

The work involves planning the audit the following characteristics: -Rationality, Planning process and its results enable the auditor logical assessment tasks and the setting of clear objectives;-

Anticipate, The planning process allows for sizing tasks, so that priorities are more clearly highlighted; -Coordination, Planning enables coordination by audit institutions, both policy audit, audits carried out effectively, and the activities of other auditors or experts.

Planning internal audit activity is carried out on three levels: Long term strategic planning has to work on evaluating the internal audit function subordinate departments who organized the audit every five years, according to the normative framework of internal audit; Medium-term strategic planning is the fact that, by law, all auditable activities should be audited at least every three years. Depending on the importance of activities within the entity, the danger of events or even damage and the degree of risk occurrence and significance of this may be contained in the audit; Annual planning the tasks to be achieved over the next year while taking into account the available budget and resources allocated under the plan annually,(Boakye-Bonsu, 2000).

Carey, et.al (2006), revealed that, adequate planning helps to ensure that appropriate attention is devoted to important areas of the audit, that potential problems are identified and resolved on a timely basis and that the audit engagement is properly organized and managed in order to be performed in an effective and efficient manner. Adequate planning also assists in the proper assignment of work to engagement team members, facilitates the direction and supervision of engagement team members and the review of their work, and assists, where applicable, in coordination of work done by related or other auditors and experts. The nature and extent of planning activities will vary according to the size and complexity of the entity, the auditor's previous experience with the entity, and changes in circumstances that occur during the audit engagement.

Simnett, & Tanewski (2000), state that Planning is not a discrete phase of an audit, but rather a continual and iterative process that often begins shortly after (or in connection with) the completion of the previous audit and continues until the completion of the current audit engagement. However, in planning an audit, the auditor considers the timing of certain planning activities and audit procedures that need to be completed prior to the performance of further audit procedures. For example, Proposed Revised International Standard on Auditing 300 IAASB Main Agenda(April 2004) Page 2004-529 Agenda Item 9-A Page 3of 12 the auditor plans the discussion among engagement team members, the analytical procedures to be applied as risk assessment procedures,

the obtaining of a general understanding of the legal and regulatory framework applicable to the entity and how the entity is complying with that framework, the determination of materiality, the involvement of experts and the performance of other risk assessment procedures prior to performing further audit procedures at the assertion level for classes of transactions, account balances, and disclosures. As audit procedures are performed, the auditor considers how the conclusions drawn affect the risk assessment and resulting nature, timing and extent of further planned audit procedures.

### **2.3 Audit Procedures and Financial Performance**

Audit Procedure and Policies are methods or techniques used by auditors when conducting an audit exercise. It is essential for auditors to have in mind techniques to employ in the course of examining the books of accounts so as to be able to express their opinion on them (ACCA, 2010). The audit procedures and policies of businesses companies are financial and compliance audit, conducting the audit in line with the standards.

According to Dittenhofer, (2001), Financial auditing basically consists of a systematic examination and evaluation of the financial systems, transactions, and accounts of an organization, in order to offer an opinion on the “fairness” or reliability of its financial statements. The compliance aspect of auditing is to ensure that an organization is following the laws and ordinances that govern the handling of its general finances, such as those pertaining to tax levies, spending, investing, and borrowing. A compliance audit can also focus primarily on regulations that apply to specified funds, such as intergovernmental grants

According to Culda Emil (2007), Validation–Test of Transactions. Established systems and procedures for internal control are statements of good intentions; their achievements must be verified by systematic examination of records and other evidence. There are two types of examinations conducted in a financial and compliance audit: legal compliance tests and verification of financial records. Compliance tests involve a review of records to see whether a specified body of laws is being adhered to. Financial verification steps are devised to determine the accuracy of the information on which the financial statements are based. For example, a compliance test might consist of examining the budgeting practices to see whether departments have authorized appropriations within the amount certified by the budget commission in the “official certificate of



estimated resources” and restricted expenditures plus outstanding encumbrances to amounts appropriated by the board for such purpose, as required by law, while a financial verification step might entail writing letters to vendors to confirm the balance of payables outstanding. If the tests show serious exceptions, the amount of testing may be increased.

According to Morariu Ana (2008), For the sake of time and efficiency the examiners will use sample testing techniques as a means of validations. Such sampling techniques will vary depending upon the internal control evaluation and results of prior tests. These techniques allow the examiners to review a limited number of records as a representative to the whole. In essence, the more testing required due to lack of internal control and lack of accuracy in the accounting records takes additional audit time therefore increases the cost of the audit.

IFAC (2006), reveals that, there are certain validating procedures and auditing techniques that are performed by company auditors that comply with Generally Acceptable Auditing Standards (GAAS) which include; determining the accuracy of arithmetical calculations by Recompilation (Footing and Cross footing), Verification of entries in booked of record by examining the original documentation upon which they are based (Vouching), Reconciliation and account analysis, Confirmation, Scanning and review and physical examination and counting.

OAG Annual Audit guideline 5012 noted that, at the end of the audit exercise, the auditors forms an opinion which known as either a qualified or unqualified audit opinion. Qualified audit opinion is one in which the auditor disagrees with or is uncertain about one or more items in the financial statements that are material but not fundamental to an understanding of the statements. The wording of the opinion normally indicates a satisfactory outcome to the audit, subject to a clear and concise statement of the matters of disagreement or uncertainty giving rise to the qualified opinion. Unqualified audit opinion is an opinion in which the auditor is satisfied in all material respects that the financial statements have been prepared using acceptable accounting bases and policies, which have been consistently applied; the statements comply with statutory requirements and relevant regulations; the view presented by the financial statements is consistent with the auditor’s knowledge of the audited entity; and there is adequate disclosure of all material matters relevant to the financial statements.

An auditor may not be able to express an unqualified opinion if there has been a limitation in the scope of the audit, the auditor considers the financial statements to be incomplete, misleading, or in violation of acceptable accounting standards, or there is uncertainty affecting the statements, (Saleem, 2005).

#### **2.4 Audit Evidence and Financial Performance**

Audit evidence is evidence obtained during a financial audit and recorded in the audit working papers. Audit evidence, (*abrema.net. undated. Archived from the original on 29 August 2007. Retrieved 2007-08-07*). Editing ISA 500 Audit Evidence is one of the International Standards on Auditing. It serves to expect the auditor is to obtain audit evidence from an appropriate mix of tests of control systems and substantive tests of transaction and balances.

OAG Annual Audit 9021 report requests the auditor to obtain 'sufficient' and 'appropriate' audit evidence in order to draw reasonable conclusions on which to base the audit opinion. The auditor considers reliability of audit evidence collected. For instance, audit evidence is more reliable when it exists in documentary form rather than subsequent oral representation of the matters. Auditors consider reliability of information but involve little authentication of evidence.

Arens (2003), observed that Audit evidence is all the information used by the auditor in arriving at the conclusions on which the audit opinion is based and includes the information contained in the accounting records underlying the financial statements and other information. Auditors are not expected to examine all information that may exist. Types of Audit Evidence are; Physical examination, Confirmation, Documentation, Analytical procedures, Inquiries of the client, Recalculation, Re-performance and observation Aren.

ISA 530- Audit sampling and other selective testing procedures, completed by Minimal Audit Regulations, issued by the International Audit Standards; the professional expertise and the value judgments issued by the auditor with regard to any decision concerning the audit evidence. The Audit Program is defined by the major decision of the auditor regarding the nature and adequate amount of evidence that he needs to collect. This judgment is important, considering the cost related to the examining and evaluation of all the available elements.

In order to correctly fundament his opinion, the auditor defines within the audit program the procedures that need to be performed in order to generate the audit evidence, so as for the auditor to be able to formulate reasonable conclusions to support his final opinion.

Auditors design detailed audit procedures to obtain sufficient appropriate audit evidence. Procedures can include inspection, observation, confirmation, recalculation, re-performance, and analytical procedures, often in some combination, (Loebbecke James, 2003).

Culda (2007), states that, Auditors shall design detailed audit programs, setting out the procedures that are appropriate to obtain sufficient appropriate audit evidence through the selected use of; inspection, observation, external confirmation, recalculation, reperformance, analytical procedures

**Inquiry;** Audit programs shall be reviewed and approved before the start of the execution/examination phase. Any changes to an approved audit program shall be reviewed and approved on a timely basis, (OAG, 2011) Guidance.

CAS 500—Audit Evidence, contains significant guidance explaining what constitutes audit evidence. It deals with the auditor's responsibility to design and perform audit procedures to obtain sufficient appropriate audit evidence to be able to draw reasonable conclusions on which to base the auditor's opinion. If not displayed, selected requirements and application guidance found in CAS 500 may be viewed by clicking the "more" feature displayed in the standards information above.

Morariu Ana (2008), noted that Audit procedures for obtaining audit evidence. The evidence-gathering process involves the following steps: designing the audit procedures or tests; carrying out the audit procedures or tests and/or gathering evidence; analyzing evidence and drawing conclusions, which may also involve evaluating performance against the audit criteria; and making decisions about whether additional information is required and can be obtained or whether sufficient appropriate evidence exists.

Audit procedures typically focus on the key risk areas identified through a risk analysis. It is not unusual for audits to be redesigned during the examination stage as teams encounter unforeseen difficulties in gathering sufficient evidence of appropriate quality. Auditors have to be alert to any signs that the evidence-gathering process may not be achieving the level of assurance required for

the audit assignment and take appropriate corrective action. If there are any potential amendments to the audit program, communicate these changes and raise any other issues, on a timely basis, with the senior members of the audit team. In instances where modifications did not take place before the start of field work, modify the audit steps as the work progresses, obtain approval for changes to audit programs, and include appropriate information on the nature, timing, and extent of steps to be performed, (OAG Performance Audit 4045 Evidence-gathering methods).

According to the Institute of Internal Auditors, New York (IIA), 2003), Inspection of documents and records provides varying degrees of reliability, depending on the nature and source of the documents. Inspection of physical assets provides highly reliable evidence of existence and some indication of value (if it does not appear damaged or obsolete) but not necessarily of ownership or value.

**Observation.** Observation of the application of a client's or entity's policy or procedure provides assurance of that procedure at a given point in time, but not necessarily of its performance at other times during the year.

OAG Annual Audit manual 7062 for guidance on observation of inventory counting. External confirmation. Confirmation is a written request addressed to third parties. OAG Annual Audit 7050 for guidance on external confirmations. Recalculation. Computation or recalculation provides a high level of assurance regarding arithmetical accuracy.

Inquiry is used throughout the engagement to; obtain knowledge of the entity; develop the preliminary audit approach; collect specific evidence; and corroborate evidence collected by other means. A solid understanding of the control environment is important in order to assess the extent to which inquiry will be effective in obtaining reliable evidence. For example, in an environment in which management's integrity and trustworthiness are high, the auditor may be able to place relatively more reliance on inquiry. A decision regarding the extent to which inquiry will provide sufficient, appropriate evidence is required. Inquiry involves: considering the knowledge, objectivity, experience, responsibility, and qualifications of the individual to be interviewed; asking clear and concise questions; using open or closed questions appropriately; listening actively and effectively; and considering the interviewee's responses and asking follow-up questions. Inquiries can often be efficiently combined with other testing procedures such as observation and will

frequently be followed up by further audit procedures to obtain sufficient appropriate evidence, (Mark Otonglo, 2010).

Although inquiry has always been an integral part of audit, it is becoming an increasingly important method of collecting audit evidence due to the increasing use of “soft information” in financial statements. Specifically, soft information is based on estimates, expectations, and assumptions. In addition, more reliance is placed on management controls where little documentation may exist to support the existence of the review being performed and follow-up action taken when results are out of line with management expectations. In such cases, inquiry may be the primary (or only) source of evidence that the controls are in place and working effectively, (The Institute of Internal Auditors of New York, 2003).

Audit evidence, which is cumulative in nature, includes audit evidence obtained from audit procedures performed during the course of the audit and may include audit evidence obtained from other sources, such as previous audits and a firm's quality control procedures for client acceptance and continuance. Accounting records generally include the records of initial entries and supporting records, such as checks and records of electronic fund transfers; invoices; contracts; the general and subsidiary ledgers, journal entries, and other adjustments to the financial statements that are not reflected in formal journal entries; and records such as worksheets and spreadsheets supporting cost allocations, computations, reconciliations, and disclosures. The entries in the accounting records are often initiated, authorized, recorded, processed, and reported in electronic form. In addition, the accounting records may be part of integrated systems that share data and support all aspects of the entity's financial reporting, operations, and compliance objectives, (Zabihollah Rezaee, 2010).

According to Adhoc Committee, (2009), Management is responsible for the preparation of the financial statements based on the accounting records of the entity. The auditor should obtain audit evidence by testing the accounting records, for example, through analysis and review, re performing procedures followed in the financial reporting process, and reconciling related types and applications of the same information. Through the performance of such audit procedures, the auditor may determine that the accounting records are internally consistent and agree to the financial statements. However, because accounting records alone do not provide sufficient

appropriate audit evidence on which to base an audit opinion on the financial statements, the auditor should obtain other audit evidence.

Asare (2008), revealed that, other information that the auditor may use as audit evidence includes minutes of meetings; confirmations from third parties; industry analysts' reports; comparable data about competitors (benchmarking); controls manuals; information obtained by the auditor from such audit procedures as inquiry, observation, and inspection; and other information developed by or available to the auditor that permits the auditor to reach conclusions through valid reasoning.

Emasu,(2010), notes that, Sufficiency is the measure of the quantity of audit evidence. Appropriateness is the measure of the quality of audit evidence, that is, its relevance and its reliability in providing support for, or detecting misstatements in, the classes of transactions, account balances, and disclosures and related assertions. The auditor should consider the sufficiency and appropriateness of audit evidence to be obtained when assessing risks and designing further audit procedures. The quantity of audit evidence needed is affected by the risk of misstatement (the greater the risk, the more audit evidence is likely to be required) and also by the quality of such audit evidence (the higher the quality, the less the audit evidence that may be required). Accordingly, the sufficiency and appropriateness of audit evidence are interrelated. However, merely obtaining more audit evidence may not compensate if it is of a lower quality.

According to Fine and Fogelman (2007), a given set of audit procedures may provide audit evidence that is relevant to certain assertions but not to others. Foreexample, inspection of records and documents related to the collection of receivables after the period end may provide audit evidence regarding both existence and valuation, although not necessarily the appropriateness of period-end cutoffs. On the other hand, the auditor often obtains audit evidence from different sources or of a different nature that is relevant to the same assertion. For example, the auditor may analyze the aging of accounts receivable and the subsequent collection of receivables to obtain audit evidence relating to the valuation of the allowance for doubtful accounts. Furthermore, obtaining audit evidence relating to a particular assertion, foreexample, the physical existence of inventory, is not a substitute for obtaining audit evidence regarding another assertion, for example, rights and obligations.

The reliability of audit evidence is influenced by its source and by its nature and is dependent on the individual circumstances under which it is obtained. Generalizations about the reliability of various kinds of audit evidence can be made; however, such generalizations are subject to important exceptions. Even when audit evidence is obtained from sources external to the entity, circumstances may exist that could affect the reliability of the information obtained. For example, audit evidence obtained from an independent external source may not be reliable if the source is not knowledgeable. While recognizing that exceptions may exist, the following generalizations about the reliability of audit evidence are useful:

Audit evidence is more reliable when it is obtained from knowledgeable independent sources outside the entity. Audit evidence that is generated internally is more reliable when the related controls imposed by the entity are effective. Audit evidence obtained directly by the auditor (for example, observation of the application of a control) is more reliable than audit evidence obtained indirectly or by inference (for example, inquiry about the application of a control).

Bhatia, (2003), stated that, Audit evidence is more reliable when it exists in documentary form, whether paper, electronic, or other medium (for example, a contemporaneously written record of a meeting is more reliable than a subsequent oral representation of the matters discussed).

Audit evidence provided by original documents is more reliable than audit evidence provided by photocopies or facsimiles.

Dittenhofer, R. (2001), observed that, the auditor should consider the reliability of the information to be used as audit evidence, for example, photocopies; facsimiles; or filmed, digitized, or other electronic documents, including consideration of controls over their preparation and maintenance where relevant. However, an audit rarely involves the authentication of documentation, nor is the auditor trained as or expected to be an expert in such authentication.

Fine, & Fogelman (2007), stated that, when information produced by the entity is used by the auditor to perform further audit procedures, the auditor should obtain audit evidence about the accuracy and completeness of the information. In order for the auditor to obtain reliable audit evidence, the information upon which the audit procedures are based needs to be sufficiently

complete and accurate. For example, in auditing revenue by applying standard prices to records of sales volume, the auditors should consider the accuracy of the price information and the completeness and accuracy of the sales volume data.

Goodwin-Stewart and Kent (2006), observed obtaining audit evidence about the completeness and accuracy of the information produced by the entity's information system may be performed concurrently with the actual audit procedure applied to the information when obtaining such audit evidence is an integral part of the audit procedure itself. In other situations, the auditor may have obtained audit evidence of the accuracy and completeness of such information by testing controls over the production and maintenance of the information.

Institute of Internal Auditors (IIA, 2011), However, in some situations the auditor may determine that additional audit procedures are needed. For example, these additional procedures may include using Computer-Assisted Audit Techniques (CAATs) to recalculate the information. The auditor ordinarily obtains more assurance from consistent audit evidence obtained from different sources or of a different nature than from items of audit evidence considered individually.

In addition, obtaining audit evidence from different sources or of a different nature may indicate that an individual item of audit evidence is not reliable. For example, corroborating information obtained from a source independent of the entity may increase the assurance the auditor obtains from a management representation. Conversely, when audit evidence obtained from one source is inconsistent with that obtained from another, the auditor should determine what additional audit procedures are necessary to resolve the inconsistency.

The auditor may consider the relationship between the cost of obtaining audit evidence and the usefulness of the information obtained. However, the matter of difficulty or expense involved is not in itself a valid basis for omitting an audit procedure for which there is no appropriate alternative.

In forming the audit opinion, the auditor does not examine all the information available (evidence) because conclusions ordinarily can be reached by using sampling approaches and other means of selecting items for testing. Also, the auditor may find it necessary to rely on audit evidence that is persuasive rather than conclusive; however, to obtain reasonable assurance,<sup>4</sup> the auditor must not be



satisfied with audit evidence that is less than persuasive. The auditor should use professional judgment and should exercise professional skepticism in evaluating the quantity and quality of audit evidence, and thus its sufficiency and appropriateness, to support the audit opinion.

## **2.5 Relationship between Internal Auditing and Financial Performance**

According to Bariyima David Kiabel (2012), most internal audit professionals argue that an effective internal audit function correlates with improved financial performance. According to Bejide (2006), 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 bottom line.

Similarly, Emasu (2010) had stated that internal audit is an “invaluable tool of management for improving performance”. Fadzil et al (2005) had also noted that internal auditors help run a company more efficiently and effectively to increase shareholders’ value”. And Hermanson and Rittenberg (2003) had 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 financial performance improvement and assists in identifying profit evidence incorporate disasters, particularly financial fraud consistently documents an association between weak governance (e.g. less independent boards or the absence of an internal audit function) and the incidence of problems (Beasley et al., 2000; Abott et al 2000). 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.

Hayes and Wheelwright (2005), note that although studies have found an association between accounting control systems and performance theory also predicts that these associations will be influenced by external environmental influences.

Internal auditors are required to have board based interpersonal and analytical skills to ensure that the accounting systems is efficient and also provide with accurate and materials information through detection of errors and fraud as emphasized by Ramaswamy, (2004).

According to Kuhlmann, Sabine (2010), internal auditors are given some degree of independence in order to be able to perform their duties. They report to the board of directors and management on whether the policies and plans of activates prescribed by the management have been implemented. That is whether internal controls established are adequate or whether the actual results vary from the estimate ones.

According Geiger, and Pany. (2000) cited in Zarina Zakaria, (2006), the reason an organization establishes an audit system is to help achieve its financial performance and profitability goals and prevent loss of resources by fraud and other means. The audit is mainly affected by management and other personnel in an organization. It is accomplished by the people appointed within an organization under careful procedures. This therefore means that a good audit system occasions into financial performance of an organization. To ensure total success in terms of financial performance, people in the organization from top management downwards must have one thing in common to accomplish tasks in regard to the set standards therein. He further suggested that cash does not have a predictable relationship with financial performance but rather the way the auditors analyse procedures for auditing cash related activities in reference to the financial objectives.

Mark Otonglo (2010), asserts that when a reliance strategy is followed, the auditor must identify control procedures that ensure that material misstatements are either prevented or detected and corrected in the event of ascertaining of the financial performance. For instance the client may have formal procedure for classifying payroll accounts, the auditor may decide to rely on this control procedure to reduce on the control risk for the classification objective.

Millichamp (2000), states that the foremost motive why an organisation establishes an Audit System is to accomplish its financial performance and profitability goals and also prevent loss of resources by or through fraud and other means. This means that for an audit system to bring about effective financial performance of an organisation, the people in the organisation from top management to the lower employees must have a common understanding and that its

accomplishment must be in accordance with the set standards. It is therefore easy to say that an effective audit system has to be geared by the way top management handles audit queries in an organisation. Notably auditing is crucial in any organisation as it seeks to put things right and penalise wrong doers if discovered. It is therefore about performing in the most effective and efficient manner,( LinkedIn's SlideShare service, 2014).

## **2.6 Conclusions**

In a nutshell, various scholars and authors have written about the two variables by clearly bringing out the roles played by effective internal audit systems on financial performance. However, further study should be conducted to close the gaps(incompetency of staff in relation to internal auditing and financial, bureaucratic tendencies in planning process, concealment of information) in relation to the relationship between audit planning and financial performance, the relationship between audit procedures and financial performance and how audit evidence relates to financial performance particularly at Kyambogo University.

## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.1 Introduction**

This chapter covers the practical procedures and techniques' that were used in carrying out this study. It gives details of the research design adopted, population of the study, nature of sample, sampling procedures, data collection procedures and the final data analysis techniques applied.

#### **3.2 The Research Design**

The case study design was used because only public servants within the Kyambogo University were selected to participate in the study to obtain in-depth data about interrelationship between Internal Auditing and Financial Performance. The design is simple, less time consuming and cost effectiveness. The design adopted qualitative and quantitative approaches. This is supported by Amin (2005), who established that, the use of mixed methods helps to research a problem from all sides, aids to focus on a single process and confirms the data accuracy. Qualitative method facilitates building theories to explore new areas through thorough examination of the phenomenon. Quantitative approach allows the researcher to statistically and analyze numeric data, (Mugenda & Mugenda, 2005).

#### **3.3 Population of the Study**

The study targeted a population of 100 (Human Resource updated Biometric data, 2014), who were the Finance and Administrative Staff of Kyambogo University. These included the Chief internal auditor, Bursa and his deputies, heads of income generating Units, Audit staff, accountants, accounts assistants. Internal Audit staff were targeted because they are directly involved in the management of the internal audit systems and controls which entails financial aspects, non-financial such as policies as well as internal control aspects. On the other hand financial staff were included the study because they managed and controlled the flow of funds in terms of revenue and expenditures by providing financial statements.

#### **3.4 Sample Size and Procedure**

The sample size of the respondents was determined using Krejcie & Morgan (1970) as cited in Amin (2005). From the target population of 100 respondents, a sample of ninety two (92)

respondents was chosen from Kyambogo University finance and Audit departments as well as management as indicated in the table below;

**Table 3.1: Illustrating the Sampling Strategy**

<b>Categorizes</b>	<b>Population</b>	<b>Sample sizes</b>	<b>Methods</b>
Finance	55	48	Simple random sample
Audit	15	14	Purposive sample
Procurement	10	10	Purposive sample
Top management	10	10	Purposive sample
Deans	10	10	Purposive sample
<b>Total</b>	<b>100</b>	<b>92</b>	

**Source:** Primary data

Two sampling techniques were used to select the sample size of the study. Top management, Deans Audit committee members and Procurement staff were selected using purposive sampling to obtain relevant confidential information relating to internal auditing and financial performance. These deal directly with both auditing and understand its implication on financial management and thus had rich and deeper information necessary for the success of this study. Finance staff were many and thus were selected randomly to provide equal chances of participation in the study.

### **3.5 Data Sources, Collection Methods and Instruments**

Both Primary and secondary data were used to collect data from the field. The primary data was collected using structured questionnaire and interviewing method and a well designed Closed-ended questionnaire was administered to finance staff, procurement members and audit committee staff. Questionnaires were used because they were easy to administer to larger population and are as well cost effective, (Sekaran 2003). Questionnaires were used because they gave chance to respondents to provide their own opinions. Responses of the questionnaire were anchored on a 5 point Likert Scale ranging with 1- strongly disagree, 2- disagree, 3- don't know, 4- agree and 5- strongly agree. Questionnaires do not gather detailed data; however an interview guide were used to supplement the results.

Secondary data was obtained from existing documents and reports. These included, the Internal Audit Report, FY 2012/13, Auditor General's report and Internal audit manuals.

Interview guide are far more personal form of research instruments than questionnaires, Amin, 2005). An interview is a conversation between two or more people where questions are asked by the interviewer to elicit facts or statements from the interviewee. Interview guide was used to collect qualitative data from Top Management and Deans. Interviewing method helped to obtain in-depth and detailed information through probing during face-to-face interaction.

### 3.6 Validity and Reliability of the Instrument

#### 3.6.1 Validity

A validity test was carried out prior to the administration of the research tools. This was done in order to find out whether the questions were capable of capturing the intended data. Supervisors as research consultants helped to review questions to see whether they suit to capture the intended response. Thereafter questions were edited and corrected accordingly to enhance a content validity test which was computed using the formula

$$\text{Content validity index (CVI)} = \frac{\text{Total number of items rated as relevant}}{\text{Total number of items judged}} = \frac{28}{32} = 0.875$$

The CVI above 0.7 as an average was considered valid and reliable enough to collect data, (Amin, 2005).

#### 3.6.2 Reliability

Reliability is the measure of the degree to which a research instrument yields consistent results after repeat. Cronbach's Alpha coefficient was used to measure reliability of the instrument. According to Amin (2005) an alpha of 0.5 or higher is sufficient to show reliability. The closer it is to 1, the higher the internal consistency is, (Sekaran, 2003).The questionnaires were pretested using respondents within Makerere University and reliability was computed using statistical Package for Social Sciences (SPSS) and scores were evaluated.

*Table 1: Cronbach's Alpha coefficients for the variables under study*

Variable	Anchor	Cronbach Coefficient	Alpha	Content Validity Index
Audit Planning	5 Point	.654		.833
Audit evidence	5 Point	.779		.875
Financial performance	5 Point	.633		.937

Source: Primary data

The Cronbach Alpha and the Content Validity Index were above 0.6, showing that the research instrument was reliable. As such, it was fit for use to collect data on these study variables so as to address the research questions.

### **3.7 Data Processing and Analysis**

#### **3.8.1 Quantitative data Analysis**

The data was obtained using questionnaires and interview guide. The data was put in order and structured to get meaning from data. The raw data was cleaned, sorted and coded. The data coded was entered into the computer, checked and statistically analyzed using the statistical package for social sciences (SPSS) software package to generate descriptive and inferential Statistics. Descriptive analysis was applied to describe the primary variables and associated indicator item related to the study objectives. The Pearson correlation coefficient was used to analyse the relationship among the variables. Linear Regression analysis was used to determine the extent to which the independent variables impact the dependent variable.

#### **3.8.2 Qualitative Data Analysis**

Qualitative data was collected using interview guide during the discussion with the administrators and documentary review. Descriptive data/statistics were categorized under different themes and sub-themes using critical judgmental approach and quotations to obtain meaningful inferences. The data was analyzed and organized based on pattern, repetitions and commonalities into themes based on study variables and information was recorded and summarised using a tally sheet, and themes obtained.

### **3.8 Ethical Considerations**

The research was carried out basing on the laws/ regulations governing research. Permission to conduct the research was obtained from the relevant authorities such as an introductory letter from the Dean Graduate school- Kyambogo University. This was presented to the Director Human Resource. To grant authority to go around various faculties and departments. Further still, permission was also obtained from the respondents in various offices of the university so as to be able to talk to the respondents. The researcher further assured respondents of the utmost confidentiality that only data could be used to draw conclusions to the study for academic purposes. Respondents consented to participate in the study.

### **3.9 Limitations of the Study**

The researcher faced the following problems;

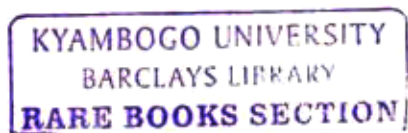
Financial constraints; since the researcher financed himself in carrying out this study, he faced financial constraints. However, to overcome this constraint, the researcher borrowed money from parents and friends.

Time constraints: Since there are many academic activities to be accomplished concurrently with the research at the University, the researcher faced time constraint. However, this was solved by designing a work plan/time schedule which was adhered to.

Delay in the questionnaires; the respondents took long to answer the questionnaires, which slightly delayed the researcher to finalize the report in time. This was solved by explaining to the respondents thoroughly the aim of the study.

### **Conclusion**

This chapter attempted to describe the detailed research methodology, which is the step by step approach to aid collecting detailed information to enhance presentation of findings.





## **CHAPTER FOUR**

### **DATA PRESENTATION, ANALYSIS AND INTERPRETATION OF RESULTS**

#### **4.0 Introduction**

This chapter contains the statistical results that were generated from the data analysis and the interpretations presented in accordance with the research objectives which were to; establish the relationship between audit planning and financial performance of Kyambogo University, establish the relationship between audit procedures and financial performance of Kyambogo University and establish how audit evidence relates to financial performance of Kyambogo University.

Firm profile included complete responses from the sample of 92 respondents.

#### 4.1 Bio-data of the Respondents

The results in the table 4.1 below show characteristics of respondents in the study.

**Table 4. 1: Characteristics of the Respondents**

<b>Bio-data</b>		<i>Frequency</i>	<i>Valid Percent</i>	<i>Cumulative Percent</i>
Gender	Male	51	55.4	55.4
	Female	41	44.6	100.0
	<b>Total</b>	<b>92</b>	<b>100.0</b>	
		<i>Frequency</i>	<i>Valid Percent</i>	<i>Cumulative Percent</i>
Age Group	≤ 25	7	7.6	7.6
	26 ≥ 34	20	21.7	29.3
	35 ≥ 44	40	43.5	72.8
	≥ 45	25	27.2	100.0
	<b>Total</b>	<b>92</b>	<b>100.0</b>	
<b>Department</b>		<i>Frequency</i>	<i>Valid Percent</i>	<i>Cumulative Percent</i>
	Finance and Administration	22	23.9	23.9
	Procurement	19	20.7	44.6
	Human Resource Directorate	24	26.1	70.7
	Administration/management	27	29.3	100.0
	Administration/management	22	23.9	
	<b>Total</b>	<b>92</b>	<b>100.0</b>	
<b>Position Held</b>		<i>Frequency</i>	<i>Valid Percent</i>	<i>Cumulative Percent</i>
	Senior internal auditor	2	2.2	2.2
	Internal Audit staff	6	6.5	8.7
	Accounts assistants	17	18.5	27.2
	Budgeting & IGU	12	13.0	40.2
	Accounts section	25	27.2	67.4
	Human resource	2	2.2	69.6
	US department	21	22.8	92.4
	Academic Registrars department	7	7.6	100.0
	<b>Total</b>	<b>92</b>	<b>100.0</b>	
		<i>Frequency</i>	<i>Valid Percent</i>	<i>Cumulative Percent</i>
Period of service	1-5years	38	41.3	41.3
	6-10years	29	31.5	72.8
	11-15years	16	17.4	90.2
	Above 15years	9	9.8	100.0
	<b>Total</b>	<b>92</b>	<b>100.0</b>	

Source: Primary data

The data in table 4.1 above reveals that majority of the respondents were male (55.4%) while 44.6% were female. The above results imply that males are more involved in implementing internal

**Table 4. 2: The relationship between Audit Planning and Financial Performance**

	<b>Internal Audit an financial performance</b>	<b>N</b>	<b>SD=1</b>	<b>D=2</b>	<b>N=3</b>	<b>A=4</b>	<b>SA=5</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Mean</b>	<b>Standard deviation</b>
1	Audit planning ensures the accountability, integrity and transparency	92	42 45.3%	15 15.8%	2 2.1%	18 20%	15 16.8	1	5	3.89	1.043
	Audit planning Improves accuracy, reliability and credibility of financial reporting	92	(35) 37.9	(28) 30.5	(1) 1.1	(10) 10.5	(18) 20	1	5	3.91	0.668
2	Audit planning safeguards the asset of the organization so as to prevent and detect errors	92	(31) 33.7	(29) 31.6	(2) 2.1	(15) 16.8	(14) 15.8	1	5	4.07	0.769
3	Audit planning makes recommendations on improvement in the operation	92	(34) 36.8	(23) 25.3	(1) 1.1	(12) 12.6	(22) 24.2	1	5	3.86	0.739
4	Audit planning aids to ascertain the weaknesses within Internal controls and ethical behavior are in place	92	(31) 34.7	(25) 27.4	(1) 1.1	(7) 8.4	(26) 28.4	1	5	4.31	0.837
5	Audit planning is fundamental towards fraud detection and prevention in the organization	92	(29) 31.6	(28) 30.5	(8) 8.4	(11) 11.6	(16) 17.9	1	5	3.98	1.214
6	Audit planning allows independent appraisal of the accounting, financial and other processes	92	(21) 23.2	(8) 8.4	(2) 2.1	(41) 44.2	(20) 22.1	1	5	4.54	1.141
7	Audit planning controls procedures to ensure operational efficiency	92	(31) 33.7	(33) 35.8	(2) 2.1	(15) 16.8	(11) 11.6	1	5	4.31	1.161
8	Audit planning assesses the use of resources of the organization in achieving its objective	92	(42) 45.3	(32) 34.7	(1) 1.1	(7) 7.4	(10) 11.6	1	5	3.98	1.214

Table 4.2 shows responses on relationship between Audit Planning and Financial Performance. Results showed that Respondents agreed with the view Audit planning ensures the accountability, integrity and transparency (mean=3.89 and  $\sigma = 1.043$ ). Respondents agreed that Audit planning Improves accuracy, reliability and credibility of financial reporting (mean=3.91 and  $\sigma = 0.668$ ). Respondents further agree that employee supervision and management is very easy when the manager possesses human resource and leadership skills (mean=4.07 and  $\sigma = 0.769$ ).

Respondents further agreed with the statement that Audit planning makes recommendations on improvement in the operation (mean=3.86 and  $\sigma = 0.739$ ). It further shows that Audit planning aids to ascertain the weaknesses within Internal controls and ethical behavior are in place (mean=4.31 and  $\sigma = 0.837$ ). Furthermore, the item that Audit planning is fundamental towards fraud detection and prevention in the organization (mean=4.07 and  $\sigma = 0.769$ ).

Respondents generally agreed Audit planning allows independent appraisal of the accounting, financial and other processes (mean=4.54 and  $\sigma = 1.141$ ). The study shows that Audit planning controls procedures to ensure operational efficiency (mean=4.31 and  $\sigma = 1.161$ ). It was further found out that Audit planning assess the use of resources of the organizational in achieving its objective (Mean = 3.98,  $\sigma = 1.161$ ).

#### **4.3 The Relationship between Audit Procedures and Financial Performance**

In bid to elicit data about the relationship between Audit Procedures and Financial Performance at Kyambogo University. Respondents provided data on each of the statement, to the extent to which they "SD"-strongly disagree' (1), "D"-Disagree (2), "N"-Neutral (3), "A" Agree (4), to SA-Strongly Agree (5). Data is presented in the following table;

**Table 4. 3: The Relationship between Audit Procedures and Financial Performance**

Audit Procedures and Financial Performance		N	SD=1	D=2	N=3	A=4	SA=5	Minimum	Maximum	Mean	Standard deviation
1	The Audit Procedures function establishes a sound and fair system of financial performance evaluation	92	80 (87)	- -	-	12 13	-	1	2	4.26	0.661
2	the audit procedures help the auditor come up with a report that depicts the true and fair view of the institutions' financial performance	92	72 78.4	16 17.4	-	-	2 2.2	1	3	4.83	1.006
2	paying attention to the audit procedures and policies is relevant to Kyambogo University	92	60 55.2	10 9	-	10 9	12 11	1	4	4.48	0.759
3	Audit Procedures help in achieving managerial performance of the institution	92	59 64.1	13 14.1	-	06 6.5	14 15. 2	1	4	3.89	1.043
4	Performance reviews of specific functions and activities are made following compliance Audit Procedures	92	31 33.7	34 36.9	0 2 1	11 11.9	14 15. 2	1	5	3.91	0.668
5	The university Audit Procedures helps to monitor performance against objectives set.	92	21 22.8	29 31.5	9 9. 7	15 16.3	18 19. 6	1	5	4.07	0.769
6	Management's view of key business risks facing the university is known by the internal auditors.	92	22 23.9	33 35.9	8 8. 7	14 15.2	15 16. 3	1	5	3.86	0.739
7	Management values Audit Procedures contribute to the performance of the university.	92	33 39.9	29 31.5	2 2. 2	18 19.6	10 10. 9	1	5	4.31	0.837
8	The activities of the Audit Procedures function in the university improve the performance of the university	92	20 21.7	33 35.9	4 4. 3	16 17.4	20 21. 7	1	5	4.48	0.759

*Source: Primary data*

Respondents were asked to the effect of Audit Procedures on Financial Performance. Findings from table 4.3 revealed that:

87% of respondents disagreed that Audit Procedures function establishes a sound and fair system of

financial performance evaluation whereas 13% agreed that Audit Procedures function led to sound and fair system of financial performance evaluation results, (mean= 4.26 and  $\sigma = 0.661$ ).

80% of the respondents disregarded the view that the audit procedures helped the auditor come up a report that depicts the true and fair view of the institutions financial performance, 78.4% agreed while 2.1% of the respondents who agreed so, (mean = 4.83 and  $\sigma = 1.006$ ).

Table 4.3 illustrates that 64.2% (55.2+9)agreed that paying attention to the audit procedures and policies is relevant to Kyambogo University while 20% (9%+11%) refuted the view, (mean = 4.48 and  $\sigma = 0.759$ ).

78.2% (64.1%+14.1) disregarded the view that Audit Procedures help in achieving managerial performance of the institution were whereas 21.8%(6.5%+15.2%) strongly disagreed, (mean= 3.89 and  $\sigma = 1.043$ ).

Another determinant was as identified by respondents was Presence of Performance reviews of specific functions and activities are made focusing compliance Audit Procedures. Out of 92 respondents, 65(31+34) representing 70.5% (33.6%+36.9%) agreed that Presence of Performance reviews of specific functions and activities are made focusing compliance Audit Procedures, mean= 3.91 and  $\sigma = 0.668$ ).

Table 4.3 further revealed that 54.3% (22.8+31.5), of the respondents disagreed that university Audit Procedures helps to monitor performance against the objectives set, 9.7% were not sure while 35.9% (16.3+ 19.6) agreed the view, (mean= 4.09 and  $\sigma = 0.769$ ).

59.2% (23.3%+35.9%) Respondents generally disagreed that Management's view of key business risks facing the university is known by the internal auditors while 31.5% (15.2+16.3) of the respondents accepted that Management's view of key business risks facing the university is known by the internal auditors, (mean= 3.86 and  $\sigma = 0.739$ ).

The study further showed that 71.4% (39.9%+31.5%) of the respondents disagreed that Management values Audit Procedures contribution to the performance of the university, 2.2% were not certain while 30.5% (19.6+10.9) accepted the view, (mean=4.31 and  $\sigma = 0.837$ ).

It was further found out that 57.6% (21.7+ 35.9) of the respondents declined the view that activities of the Audit Procedures function in the university improve the performance of the university, 4.3% were not sure whereas 38.1%(17.4+21.7) concurred with the fact, (Mean = 4.48,  $\sigma = 0.759$ ).

*During Interview, one of the respondents said, "Proper application of Internal Audit Function can help the business entity to achieve its objective, help in the detection of fraud, help in minimizing costs, help employees to perform their assigned tasks both effectively and effectiveness all of which improve financial performance"*

#### **4.4 How Audit Evidence relates to Financial Performance**

In order to elicit data about how audit evidence affects financial performance. Respondents indicated the extent of agreement or disagreement on each of the statements on a 5 point scale ranging from "SD"-strongly disagree' (1), "D"-Disagree (2), "N"-Neutral (3), "A" Agree (4), to SA-Strongly Agree (5). The findings were presented and analyzed as follows;

**Table 4. 4: How Audit Evidence relates to Financial Performance of Kyambogo University**

Audit Evidence and Financial Performance		N	SD=1	D=2	N=3	A=4	SA=5	Minimum	Maximum	Mean	Standard deviation
1	Audit evidence provides support for decision making	92	30 32.6	20 21.7	2 2.1	14 15.2	26 28.3	1	5	4.44	0.783
	Audit Evidence ensures the availability of timely, relevant and reliable financial and non-financial information	92	28 30.4	32 34.8	6 6.5	16 17.4	10 10.9	1	5	3.87	0.661
2	Audit Evidence manages risks in Kyambogo University	92	26 28.3	30 30.4	4 4.3	14 15.2	18 19.6	1	5	4.59	0.570
3	Audit Evidence uses resources efficiently, effectively and economically	92	24 26.1	32 34.8	2 2.1	12 13	22 23.9	1	5	4.54	1.141
4	Audit Evidence strengthens accountability of the Kyambogo University	92	36 39.1	26 28.3	8 8.7	16 17.4	10 10.9	1	5	3.92	1.145
5	Audit Evidence provides a supportive control environment	92	31 33.9	30 32.6	2 2.1	14 15.2	14 15.2	1	5	4.31	1.161
6	Audit Evidence complies with authorities and safeguards assets	92	26 28.3	34 36.9	6 6.5	12 13	14 15.2	1	5	3.98	1.214
7	Audit Evidence; The objective of financial management is wealth maximization	92	30 32.6	28 30.4	5 5.4	14 15.2	15 16.3	1	5	4.26	0.661
<b>Total</b>										<b>12.55</b>	<b>3.036</b>

**Source:** Primary data

The table above revealed that 32.6% of the respondents strongly disagreed that Audit evidence provides support for decision making, 21.7% of the respondents disagreed, and 15.2% of the respondents strongly agreed, 28.3% respondents agreed and 2.1% of the respondents were uncertain. This implies that to a smaller extent, Audit evidence provides support for decision making.

The table above indicated that 30.4% of the respondents strongly disagreed that Audit Evidence ensures the availability of timely, relevant and reliable financial and non-financial information, 34.2% of the respondents disagreed, 17.4% of the respondents strongly agreed, 10.9% of the



respondents disagreed and 6.5% respondents were uncertain. This implies that Audit Evidence ensures the availability of timely, relevant and reliable financial and non-financial information.

The study findings from the table indicated that 28.3% of the respondents that Audit Evidence manages risks in Kyambogo University, 26.3% strongly disagreed, 30.4% disagreed, 15.2% strongly agreed, 19.6% agreed while 4.3% were uncertain. This implies that audit Evidence helps in management of risks.

Table 4.4 results indicated that 39.1% of the respondents strongly disagreed that Audit Evidence uses resources efficiently, effectively and economically, 28.3% of the respondents disagreed; 15.2% strongly disagreed, 15.2% disagreed, 2.1% of the respondents were uncertain. This implies that internal audit system systems in Kyambogo University helps to monitor the use of resources in the pursuit of defined objectives.

The findings indicated that 28.3% of the respondents strongly disagreed that Audit Evidence strengthens accountability of the Kyambogo University, 30.4% disagreed; 15.2% disagreed, 16.3% strongly disagreed while 5.4% were not certain. This implies that internal audit system helps to identify performance gaps just in case of any.

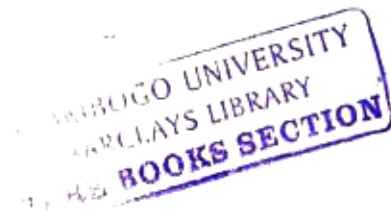
**Interview Results:** internal auditors are interfered with while carrying out internal audit checks on asset's existence by either staff or management which explains why the university does not have proper clarification on assets' existence. It also reveals that the institution keeps losing its assets to some individuals thus being the reason for lack of auditors' independence during the checks.

Interview results Audit of Educational Institutions; Verify the documentation of rate of pay, rate of overtime, total input hours, authorization policies, payroll deductions, preparation and approval of time sheets, leave tracking system (including approvals), termination procedures of employees; Check the employee data maintained in the information system for its accuracy and appropriateness as well as ensures that proper documentation is also maintained; Verify the procedure of periodically updating the employee data with the necessary approvals; Verify the procedure of maintaining the confidentiality of the employee data; Obtain an understanding of employee benefits and post-employment benefits like pension, provident fund, etc. offered to the employees by the institution; Verify the procedure of valuation and disclosure of employee benefits with reference to

Accounting Standard (AS 15); employee Benefits: Obtain a general understanding of the hiring and termination process and how payroll is affected; Review the personnel records maintained by HR and Payroll; Review the required hiring documents (for example, applications received, offers made, accepted and declined, personnel requisition, etc.) for employees hired; Ensure that any new employee related to the management or Board or owners is hired on the approval from the higher authority as well as disclosed as related party in the financial statements; Ensure all employees' current job descriptions are as per requirements of the institutions; Review the procedure of considering reference checks provided while recruitment of personnel; Review the personnel file maintained for work records (for example, hours worked, time reports, among others).

#### **4.5 Financial Performance**

This section examines the financial performance of Kyambogo University. For each of the statement, please indicate the extent of your agreement or disagreement on a 5 point scale ranging from "SD"-strongly disagree' (1), "D"-Disagree (2), "N"-Neutral (3), "A" Agree (4), to SA-Strongly Agree (5).



**Table 4. 5: Financial Performance**

Financial performance		N	SD=1	D=2	N=3	A=4	SA=5	Minimum	Maximum	Mean	Standard deviation
1	Financial reports have minimal errors	92	18 18.9	40 44.2	10 10.5	8 8.4	16 17.9	2.62	5	4.25	1.038
	Internal audit and effective financial management detects fraud in the financial reports	92	26 28.4	24 26.3	2 2.1	16 17.9	22 24.2	2.83	5	3.88	0.935
2	Kyambogo University has sound financial decisions	92	30 31.6	41 43.2	2 2.1	4 4.3	15 16.8	2.34	5	4.09	0.698
3	Financial performance needs improvements	92	22 24.2	32 34.7	2 2.1	19 21.1	16.8	2.72	5	3.76	1.111
4	Financial statements portray a true and fair value of Kyambogo University	92	15 15.8	15 15.8	2 2.1	20 22.1	40 44.2	3.63	5	4.26	0.860
5	Financial performance indicates the most efficient, effective and economical use of resources	92	10 10.5	6 7.4	4 4.2	31 33.7	41 44.2	3.94	5	4.55	0.857
6	Financial performance provides a supportive control environment	92	23 25.3	28 30.4	8 8.7	23 12.6	10 10.8	2.58	5	3.88	0.998
7	Internal audit and effective financial management help to comply with authorities and safeguard assets	92	34 37.9	27 30.5	2 2.1	18 20	11 11.9	2.33	4	4.14	1.015
8	Kyambogo University has attained desired profitability over time.	92	35 38	30 32.6	2 2.1	11 11.9	14 15.2	2.92	5	3.87	0.661
<b>Total</b>										<b>36.68</b>	<b>8.173</b>

Table 4.4 indicates that, majority 63.2% (18.9%+44.2%) of the respondents disagree with the view that Kyambogo University Financial reports have minimal errors. On the other hand 26.3% (8.4%+17.9%) of the respondents agreed with the view while 10 were not sure of the test statement as to whether financial reports have minimal errors. The implication of the above finding is that,

According to the table 4.5 above, majority 54.7% (28.4%+26.3%) of the respondents disagreed that internal audit and effective financial management detects fraud in the financial reports. On the other hand 42.1% (17.9%+24.2%) of the respondents agree with the view, 3.2% were not sure of the test statement as to whether internal audit and effective financial management detects fraud in the financial reports. Respondents further agreed with the statement that Kyambogo University has sound financial decisions (Mean =3.98).

It further shows that financial performance needs improvements (Mean =4.26), furthermore the item that, Financial statements portray a true and fair value of Kyambogo University according to the results of the study (Mean =4.83).

Table 4.5 illustrates that, majority of the respondents 74.8% (31.6%+43.2%) of the respondents disagree that financial performance indicates the most efficiently, effectively and economically use of resources. On the other hand 23.1% (6.3%+16.8%) of the respondents agreed with the view while 2.1% were not sure. This means that the

Table 4.5 indicates that, majority 58.9% (24.2%+ 34.7%) of the respondents disagreed with the view that financial performance provides a supportive control environment.

On the other hand 37.9% (21.1%+16.8%) of the respondents agreed with the view that financial performance provides a supportive control environment while 3.2% were not sure of whether Its tasking to develop a workable plan that increases both morale and productivity. This implies that

Table 4.5 shows that, majority 66.3% (22.1%+ 44.2%) of the respondents accepted that Internal audit and effective financial management help to comply with authorities and safeguard assets. On the other hand 31.6% (15.8%+15.8%) of the of the respondents disagreed with the view while 2.1% were not sure .The implication of the above finding is that, majority of the Internal audit and effective financial management help to comply with authorities and safeguard assets.

Findings revealed that majority of the respondents 70.6% (38% +32.6%) of the respondents agree that Kyambogo University has attained desired profitability over time while 27.1% (11.9%+15.2%) of the respondents disagreed with the view and 2.1% were not sure. The implication of the above finding is that,

Interview results indicated that Audit of Educational Institutions involved: Verify the grants received from the Government or other authorities with reference to all the correspondences; Examine the statements submitted for utilization of grant. Expenses Internal Control Evaluation The internal auditor examines the internal controls over payments with reference to the following: (a) Review of vision, mission, and ethical and organizational value system of the institution; (b) Segregation and rotation of duties; (c) Procedures for authorization; (d) Maintenance of records and documents; (e) Accountability for, and safeguarding of, assets; and (f) Independent checks. Verification The substantive procedure for verification of the expenses involves: (a) Test of individual transactions which are often carried out on a sampling basis, depending on the internal auditor's assessment of the effectiveness of the internal controls. (b) Examine the entries in the cash book/cash payments summary with reference to the related payment vouchers. (c) In respect of payments by cheque, examine the numerical sequence of the cheques issued during the specified period, that is whether all the cheques issued during the period had been properly accounted for. (d) Review the cash book or cash payment summary sheets for any unusual items and look into the same

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## 4.6 The Relationship between Internal Auditing and Financial Performance

### 4.6.1 Multiple Ordinary least squares Regression Analysis

The results in the table 4.6 below show the multiple ordinary least squares regression model. This was presented for the purpose of addressing the third objective for the combined effect of two predictor variables (Audit Planning and Audit Procedures) on the dependent variable Financial Performance.

**Table 4. 6: Regression Analysis**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.172	.664		1.765	.087
Audit Planning( A <sub>P</sub> )	.326	.152	.339	2.143	.040
Audit Procedures(A <sub>R</sub> )	.260	.119	.345	2.184	.037
Dependent Variable: financial performance					
R	.558				
R Square	.311				
Adjusted R Square	.267				
F Statistic	7.002				
Sig.	.003				

\*\* Significant at the 0.05 level (2-tailed).

Source: Primary data

a Predictors: (Constant), Internal Auditing

b Dependent Variable: Financial performance

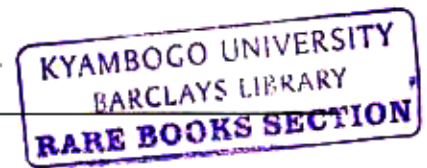


Table 4.6 shows that predictor variables of Audit Planning, Audit Procedures explain 26.7% variations in financial performance of Kyambogo University. Both predictors cause 31% variations in financial performance at a coefficient of multiple determination (R square = .311). Thus the regression output (R=0.558) suggest if Audit Planning, Audit Procedures and audit evidence are well managed, they significantly improve financial performance.

Results show a significant model (F=7.002, sig=0.003) to explain a multi regression equation of Financial performance (y) = 1.172+0.326(A<sub>P</sub>) +0.260(A<sub>R</sub>).

*Interview Results with key informants in indicated that the internal audit department entirely relied on information acquired from other departments of Kyambogo University. This affected the role of the internal audit function. A member of the audit team lamented that "Some staff members view internal auditing as a tactic that management uses to spy on their actions and therefore hide information" which affected effective flow of information between internal audit function and other the other departments for supportive decision making and control environment at Kyambogo University.*

### **Conclusion**

Chapter four results were presented analyzed and interpreted carefully using statistical methods (Special Package for Social Scientists-SPSS) in context with the study objectives. Regression analysis indicated that internal auditing was influenced by audit planning, audit procedures, and audit evidence to create impact on financial performance (R square = .311). This therefore provided a backbone for proceeding chapter



## **CHAPTER FIVE**

### **DISCUSSION, SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.0 Introduction**

In this chapter, discussion, conclusions and recommendations were written basing on the findings from chapter four. The discussion, conclusions and recommendations were done according to major study themes about the impact of internal audit on the financial performance of public institutions in relation to the study objectives.

#### **5.1 Discussion of the Major Findings**

##### **5.1.1 The effect of Audit Planning on Financial Performance**

The study findings from chapter revealed that Kyambogo University employs an internal audit planning systems that helps to; review the internal control system with a view to determine its adequacy and effectiveness, reviewing the internal system with a view to determine its adequacy and effectiveness; reviewing compliance with government regulations and accounting rules and standards; enables reviewing compliance with government regulations and accounting rules and standards. Continuous applicability of the audit planning has helped internal auditors to make recommendations on improvements in organizations; enables appraising the effectiveness and efficiency in the use of resources; safeguards the asset of the organization so as to prevent and detect errors, frauds and theft; carry out an independent appraisal of the accounting, monitors the use of resources in the pursuit of defined objectives of the public entities and internal audit monitors the use of resources in the pursuit of defined objectives of the organization. All these aimed at improving financial performance. The finding is supported by Sawyer and Vinten (2006), who noted that internal auditing helps management by reporting weaknesses in control and financial performance

The findings revealed that on average the financial performance of internal Audit function in Kyambogo University significantly affected by numerous challenges hence impacted negatively on the performance of internal audit function. Since the university arose out of a merger, the results agree with Redon & Garrett (2005) who documented that change of management is always coupled with many challenges for example change in preferences, personnel interests which affect the

institution since already planned goals are ignored in favour of the new styles established by new management. They however, agree that the few reports that are produced in the department address the weaknesses in the system.

The results in table 4.2 further portrayed that the internal audit function in the university still faces a number of challenges such as unclear policies to staff, lack of proper monitoring of internal control systems, lack of explicit cooperation between management and the internal audit department, inadequate funding of internal audit activities, lack of independence of internal audit checks on asset's activities as revealed by the study.

Results affirmed that most respondents agreed that top management follows rightful procedures when discharging their duties as a result of internal auditing and transparency. Management discloses accurate and timely information to relevant stakeholders and it is transparent in handling its operations as agreed by most of the responses followed by a few of them who were not sure and those who rejected. Information in the organization was prepared and disclosed in accordance with high quality standards of accounting, financial and non-financial disclosure because of internal audits.

Further, the findings showed that respondents agreed that internal audit planning brought transparency in the organization's budget execution as opposed to those who disagreed with the statement and a few of them were not sure with the statement. The authority has an effective financial control system in which all financial payments and receipts are audited as some respondents were uncertain about the statement and others disagreed with it. The finding is in agreement with Moriah (2005) who contends that governments moving towards higher levels of transparency must demonstrate accountability in the use of public money and efficiency in the delivery of services. Larger and more complex operations demand greater competency and professionalism from internal auditors to minimize and manage risk.

The role of internal auditing can be identified as involving three main elements evaluation and improvement of risk management, control and governance processes. Auditors use tools such as financial audits, performance audits and investigative and advisory services to fulfill each of these

roles. Hence fulfilling the above responsibilities requires audit planning for effective financial management

### **5.1.2 The effect of Audit Procedures on Financial Performance**

Basing on the study results in chapter four (table 4.3), Audit procedures were followed in assessing or accounting for funds R square value . Audit procedures were adopted and adhered to as one of the procedures followed in assessing or accounting for funds and measuring working commitment. This is in line with Mugerwa, (2009) who put forward that appropriate selection of controls helped focus the auditor's testing on those controls that are important to the auditor's conclusion about whether the company's internal control over financial reporting is effective. The decision about whether to select a control for testing depends on which controls, individually or in combination, sufficiently address the assessed risk of misstatement in a given relevant assertion rather than on how the control is labeled (for instance entity-level control, transaction-level control, control activity, monitoring control, preventive control, or detective control). A practical starting point for identifying these controls is to consider the internal audit procedures that management relies on to achieve its objectives for reliable financial performance.

the procedures for internal auditing embedded in financial risk management depicted that 53% of the respondents disagreed that there were no measures in place for financial risk management, 47% of the respondents agreed that there were measures in place to cur financial risks. The discrepancy in the percentage explains that the internal audit procedures do not enforce controls in the government departments, hence are poorly implemented. Internal Auditing procedures for financial risk management entailed periodic reviews undertaken for financial risk management. Monitoring activities were poorly undertaken. This further demonstrated that internal auditing procedures did not accurately help to review and report of financial data, ensure value for money, reduce audits risks and also ensure that the legislations and regulations are followed. The divergences and variances of the findings are correlative with the internal auditor's report, (2010) which suggests that the internal auditing procedures must be clearly spelt out if the public institutions are to successfully operate.

Internal audit procedures are effective tools through which auditors can manage and control institutional operations in an orderly manner to protect and safe guard its assets and ensure the

accuracy and reliability of records for effective financial performance. It also ensures the increasing of operational efficiency and also acts as safeguard against errors fraud in the institution.

In the study undertaken in Kyambogo University, it was observed that management is committed to the instituting comprehensive internal controls in budget implementation, accounting, records evaluation, assessing reliability and soundness of financial information, emphasis on accuracy of information, use of audit reports and taking action on recommendations. The study also revealed that all the activities of the Institution were initiated by management. The findings confirm to assertions by IIA, (2001) which states that internal audit procedures provide a foundation for an unqualified opinion and proper accountability in government.

Policy belief, (2004), further argued that internal auditing procedures are designed to ensure that a ministry, agency or department carries out its required function effectively and efficiently, that its financial reporting is reliable and complies with relevant laws and regulations. In conclusion, Findings show that internal auditing procedures desire improvements in some aspects of financial performance such as standards being key to the audit function and evaluation of university performance with set objectives plus compliance with rules and regulations.

**Fees Received in Advance** Usually an educational institution charges fees before the semester gets started. Such fees are received in advance from the students and as it does not relate to the period under internal audit, it should not be treated as income but shown as liability in the financial statements. Further, this fees should also be not shown in the respective student accounts because the amount is not required to be repaid back to the student but is to be disclosed in the Current Liabilities as "Fees received in Advance". The following are important points in audit of fees received in advance: Obtain and examine the list of students from whom fees has been received in advance.

Check the opening balance outstanding in the "Fees received in Advance" account and ensure that the said amount is reversed and charged to income and expenses account. In case where the student at the time of admission has deposited fees for more than one year, obtain the detailed year wise list of students and examine the balance outstanding at the „Fees received in Advance account as well as year-wise income to be recognized. In case any student has left the institution, ensure the fees received in advance from that student have been transferred to his/her respective student's account.

Examine the accounting procedure of caution money received from and paid to the students. Verify the caution money registers for entries made for receipts and payments and ensures that the registers reconcile with the financial records.

### **5.1.3 The effect of Audit Evidence on Financial Performance**

The study results in table 4.4 revealed that the services offered by the government departments are were not timely (77%), the compliance with the government regulations was evidenced at 87%, comparison between the resources and the results was equally represented by 53% while the audit evidence revealed that expected financial performance standards was at 67%.

The study showed that the audit evidence helped to expose internal financial control weaknesses embedded in ineffective in management public funds. because they are deliberately abused and manipulated to perpetuate fraud and diversion of funds especially by officials especially financial controls related with procurement, cash/ revenue, contract committee, stores and inventory. Many loopholes, weaknesses and anomalies were cited in the financial control system such as wrong expenditure disciplines, misuse of cash by teaming and landing. Audit evidence proved that there were omissions in the financial statements, the payable figures were also understated, the report also reveals that allowances advanced to staffs were not accounted for, corruption, mismanagement of financial and other resources, fraud amounting to Shs. 5.5 billion could have been lost in the Faculty of Arts and Social Sciences alone, What surprises is how long it took to uncover these despite the existence of an internal audit department

There is a strong relationship between internal audit and financial performance in Kyambogo University as majority of the respondents agreed that internal auditing involving appraising of internal controls which results into accurate financial performance, the objective of internal audit was to assist members of the organization in the effective discharge of their responsibilities which results into timely financial reporting, internal auditing added value to the organization's operations in terms of financial report. It enhanced internal audit functions to closely monitor staff performance that improves financial performance. The finding is In agreement with the study findings Collier, et al, (2001), who stressed that the internal audit function helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. It is also in line with a study by Sarens and De Beelde (2004), who noted that when internal audit gets strong management

support, it in turn provides a strong support function to the performance objectives and priorities of an organisation.

In conclusion, the internal audit function establishes a sound and fair system of performance evaluation of each department, the activities of the internal audit function improve the performance of the university, management values internal audit contribution to performance, university monitors performance against objectives set and performance reviews of specific functions are made focusing on compliance.

### **5.3 Summary of the major findings**

Basing on the discussion of findings audit planning influenced financial performance

#### **5.3.1 Effect of Audit Planning on financial performance**

Audit planning accounted for financial performance to a tune of 22.7%. Audit planning did not provide for Independent checks, substantive procedure for verification of the expenses involves such as: Test of individual transactions which are often carried out on a sampling basis. This caused the auditors general report to query the university fuel and overtime allowances provided to staff. Hence audit planning need to determine the significance of accounts and disclosures and relevant assertions, selecting controls to test, and testing the design and operating effectiveness of controls for improved financial performance.

#### **5.3.2 Audit Procedure and Financial Performance**

The study finding indicated that audit procedures helped to improve financial performance to a level of 26.7%. This showed that the internal audit department did not apply appropriate analytical procedures to judge the overall reasonableness of the recorded payments. To classify payments properly and disclosed under appropriate account heads in the financial statements in accordance with the recognized accounting principles.

Payroll and Benefits audit Procedures were not conducted in accordance to the reviewed organizational structure, payroll operation procedures, and the sufficiency that there exists proper separation of duties and proper supervisory reviews at Kyambogo University.

### 5.3.3 Audit evidence and Financial Performance

Audit evidence was obtained through adhering to authorization of transactions, financial segmentation, and documentation of vouchers receipts accompanied by justifications/approvals as an effective financial control mechanism. All financial payments and receipts were audited to ascertain the extent to which they agreed or disagreed. There were policies and guidelines which emphasized accurate financial performance and regular audits and the grants and contract audits and physical audits in public institutions.

Kyambogo University audit department obtained audit evidence in respect of payments by cheque, by examining the numerical sequence of the cheques issued during the specified period, i.e., whether all the cheques issued during the period had been properly accounted for.

### 5.3 Conclusion

The main purpose of the study was to evaluate the effect of internal auditing on financial performance in public institutions. There is a strong relationship between internal audit and financial performance. In that improving internal auditing would significantly improve financial performance by 31.7%. There was a positive relationship between internal auditing and financial performance. Internal audit in Kyambogo University reviews the internal control system with a view to determining its adequacy and effectiveness and internal audit enables appraising the effectiveness and efficiency in the use of resources; safeguards the asset of the organization so as to prevent and detect errors, reviewing the internal system with a view to determine its adequacy and effectiveness.

Effective financial performance can be achieved if there is effective utilization of resources in an organization, errors, fraud and theft prevented and detected and recommendations are made to improve the performance. This could be done accurately with an effective audit planning system.

There were still challenges in verification of the documentation of rate of pay, rate of overtime, total input hours, authorization policies, payroll deductions, preparation and approval of time sheets, leave tracking system (including approvals), termination procedures of employees, employee data maintained in the information system for its accuracy and appropriateness as well as ensures that proper documentation is also maintained.

The findings revealed that internal auditors were performing their duties as required of them regardless of the lack of complete independence arising out of some elements of management and intervention in audit work by other staff and also due to inappropriate internal control systems mainly being attributed to the weak elements of risk assessment and communication.

#### **5.4 Recommendations**

In a bid to improve the financial performance of Kyambogo University, the study recommends management to ensure that;

Kyambogo University should have an independent internal audit team that has a dual role of assessing whether the audit procedures taken are appropriately managed and of making recommendations to consolidate the institution's internal controls (issuing receipts to students). The internal audit team should be independent in its evaluation of the audit evidence within the organization.

The institution's Internal audit department should be made independent so that they make independent decisions to reduce on the bureaucratic tendencies experienced within the financial controls.

There is need to Review the policy pertaining to payment of allowances to employees and test check the following: Necessary prior approval from authorized supervisor is obtained, Proper documentation of overtime details is maintained, Determine and document how the payment of overtime is made. Examine the budget approved and reconcile the budgeted figures with performance plan and obtain the reasons for significant deviations. Check the reporting procedure of all significant deviations.

The Internal Auditor should examine the documents, if any, evidencing any charge created in respect of materials acquisitions, payments to suppliers of goods and services. These should particularly be examined to ensure compliance with the requirements of the applicable statute, law and regulations.

The internal auditor should carry out appropriate audit planning to judge the adequacy of the relevant cut-off procedures for instance he/she should examine the documents relating to goods



received a few days immediately before the year end and check whether the related invoices have been recorded as purchase in the year under audit.

The chief internal auditor should strengthen efforts of providing audit evidence to different stake holders such as the external auditors, Auditor general, IGG, in addition to existing ones. Audit activities should be verified with reference to supporting documents such as, orders, invoices, receiving reports and title deeds to reduce financial queries.

The internal auditor should endeavour to apply various techniques to enhance audit procedures in ascertaining omissions in financial statements. These techniques include; Reviewing of work orders/physical verification reports to trace any retirements, Examining major additions to ascertain whether they represent additional facilities or replacement of old assets, Making enquiries of key management and supervisory personnel, Obtaining a certificate from a senior official and/or managers that all assets scrapped, destroyed or sold have been recorded in the books.

The institute of internal auditors of Uganda should empower and strengthen public internal Auditors in terms of providing additional trainings in seminars, assessing the current institutional financial to enable the staff serve effectively and efficiently.

Audit managers in public institutions need to understand critical challenges affecting financial performance which should be considered and regularly reviewed during and after the financial year to achieve the mission and vision of public institution thus the going concern status.

### **5.5 Areas of further Research**

The researcher suggests that further research should be conducted in the following areas;

- a) To assess the effect of Internal auditing function on profitability of organization.
- c) To examine the impact of Internal audit on fraud detection in private companies.
- d) To investigate the effect of Internal audit on financial reporting.
- e) To examine the impact of internal auditing on external auditing.

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**APPENDIX A: QUESTIONNAIRE FOR ACCOUNTS AND AUDIT DEPARTMENTAL STAFF**

Dear Respondent,

I am Olum Denis a student of Kyambogo University conducting a study on “*The Assessment an Internal Audit System on Financial Performance*”, and I have chosen your institution as a case study. Therefore it is my request that you kindly fill this questionnaire to facilitate the study. The information will be used for only academic purposes and will be treated with a high degree of privacy and confidentiality. Your cooperation is highly appreciated.

**Section A: Personal Data (Please tick the appropriate answer)**

1. Gender:      Male       Female
2. Age:    <=25        26>= 34          35>= 44        >=45
3. Department
  - a) Finance and Administration
  - b) Procurement
  - c) Human Resource Directorate
  - d) Administration/management
4. Position held
  - a) Senior internal auditor
  - b) Internal Audit staff
  - c) Accounts assistants
  - d) Any other specify.....
5. Period of service in the organization
  - a) 1-5 years
  - b) 6-10 years
  - c) 11-15 years
  - d) Above 15 years
6. Indicate by ticking the types of audit used by your organization in conducting an audit.

Type of audit used at KYAMBOGO UNIVERSITY	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree
Statutory audits					
Interim audits					
Balance sheet audits					
Continuous audits					
Final audits					
Management audits					

**Section B: The effect of Audit Planning on Financial Performance of Kyambogo University**

This section examines the effectiveness of internal audit planning and financial performance at Kyambogo University. For each of the statement, please indicate the extent of your agreement or disagreement on a 5 point scale ranging from “SD”-strongly disagree’ (1), “D”-Disagree (2), “N”-Neutral (3), “A” Agree (4), to SA-Strongly Agree (5).

	<b>Internal Audit an financial performance</b>	SD=1	D=2	N=3	A=4	SA=5
1	Audit planning ensures the accountability, integrity and transparency					
	Audit planning Improves accuracy, reliability and credibility of financial reporting					
2	Audit planning safeguards the asset of the organization so as to prevent and detect errors					
3	Audit planning makes recommendations on improvement in the operation					
4	Audit planning aids to ascertain the weaknesses within Internal controls and ethical behavior are in place					
5	Audit planning is fundamental towards fraud detection and prevention in the organization					
6	Audit planning allows independent appraisal of the accounting, financial and other processes					
7	Audit planning controls procedures to ensure operational efficiency					
8	Audit planning assess the use of resources of the organizational in achieving its objective					

**Section C: The effect of Audit Procedures on Financial Performance**

This section examines The effect of Audit Procedures on Financial Performance at Kyambogo University. For each of the statement, please indicate the extent of your agreement or disagreement on a 5 point scale ranging from "SD"-strongly disagree' (1), "D"-Disagree (2), "N"-Neutral (3), "A" Agree (4), to SA-Strongly Agree (5).

No	<b>Audit Procedures and Financial Performance</b>	SD=1	D=2	N=3	A=4	SA=5
1	The Audit Procedures function establishes a sound and fair system of financial performance evaluation					
2	the audit procedures help the auditor come up a report that depicts the true and fair view of the institutions financial performance					
3	paying attention to the audit procedures and policies is relevant to KYAMBOGO UNIVERSITY					
4	Audit Procedures help in achieving managerial performance of the institution					
5	Performance reviews of specific functions and activities are made focusing compliance Audit Procedures					
6	The university Audit Procedures help to monitors performance against objectives set.					

7	Management's view of key business risks facing the university is known by the internal auditors.					
8	Management values Audit Procedures contribution to the performance of the university.					
9	The activities of the Audit Procedures function in the university improve the performance of the university					

**Section D: How Audit Evidence affects Financial Performance of Kyambogo University**

This section examines how audit evidence affects financial performance. For each of the statement, please indicate the extent of your agreement or disagreement on a 5 point scale ranging from "SD"-strongly disagree' (1), "D"-Disagree (2), "N"-Neutral (3), "A" Agree (4), to SA-Strongly Agree (5).

No	Effect of Audit Evidence on Financial Performance	SD=1	D=2	N=3	A=4	SA=5
1	Audit evidence provide support for decision making					
2	Audit Evidence ensures the availability of timely, relevant and reliable financial and non-financial information					
3	Audit Evidence manages risks in Kyambogo University					
4	Audit Evidence uses resources efficiently, effectively and economically					
5	Audit Evidence strengthens accountability of the Kyambogo University					
6	Audit Evidence provide a supportive control environment					
7	Audit Evidence complies with authorities and safeguard assets					
8	Audit Evidence The objective of financial management is wealth maximization					

**Section E: Financial Performance**

This section examines the financial performance of Kyambogo University. For each of the statement, please indicate the extent of your agreement or disagreement on a 5 point scale ranging from "SD"-strongly disagree' (1), "D"-Disagree (2), "N"-Neutral (3), "A" Agree (4), to SA-Strongly Agree (5).



No	Financial performance	SD=1	D=2	N=3	A=4	SA=5
1	Financial reports have minimal errors					
2	Internal audit and effective financial management detects fraud in the financial reports					
3	Kyambogo University has sound financial decisions					
4	financial performance needs improvements					
5	Financial statements portray a true and fair value of Kyambogo University					
6	financial performance indicates the most efficiently, effectively and economically use of resources					
7	financial performance provides a supportive control environment					
8	Internal audit and effective financial management help to comply with authorities and safeguard assets					
9	Kyambogo University has attained desired profitability over time.					

**Thank you very much for your cooperation**

## **APPENDIX B: INTERVIEW GUIDE FOR MANAGEMENT**

Dear Respondent;

I am a student from Kyambogo University carrying out a study on; "*The impact of the Internal Audit Function on the financial Performance of Public Institutions*": the case study of Kyambogo University. The study is being carried out in partial fulfillment of the requirement for the award of a Degree of Masters in Business Administration. The research is purely academic and your opinions and responses will be treated with utmost confidentiality. Your co-operation is highly appreciated.

1. What types of audits are used in executing an audit system?
2. Does Kyambogo University internal audit charter communicate the role, scope and authority of internal auditors?
3. What the activities are performed by the internal audit department?
4. What is the effect of audit planning on financial performance of Kyambogo University?
5. What are the audit procedures and policies employed by your organization?
6. What is the effect of audit procedures on financial performance of Kyambogo University?
7. Does the audit evidence function evaluate the effectiveness of internal controls?
8. Are the audit evidence systems established by the university management properly monitored by authorised personnel?
9. How does audit evidence affect financial performance of Kyambogo University?
10. How does management value internal audit contribution to the performance of the university?
11. How is the financial performance of your organization and how is it measured?
12. Is there a relationship between internal auditing systems and organization performance?
13. What measures can be adopted to improve the financial performance of Kyambogo University?

***"Thank you very much for Participating"***

**APPENDIX C: DETERMINING SAMPLE SIZE FROM A GIVEN POPULATION**

N	S	N	S	N	S	N	S	N	S
10	10	100	80	280	162	800	260	2800	338
15	14	110	86	290	165	850	265	3000	341
20	19	120	92	300	169	900	269	3500	246
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	351
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	181	1200	291	6000	361
45	40	180	118	400	196	1300	297	7000	364
50	44	190	123	420	201	1400	302	8000	367
55	48	200	127	440	205	1500	306	9000	368
60	52	210	132	460	210	1600	310	10000	373
65	56	220	136	480	214	1700	313	15000	375
70	59	230	140	500	217	1800	317	20000	377
75	63	240	144	550	225	1900	320	30000	379
80	66	250	148	600	234	2000	322	40000	380
85	70	260	152	650	242	2200	327	50000	381
90	73	270	155	700	248	2400	331	75000	382
95	76	270	159	750	256	2600	335	100000	384

Note: "N" is population size

"S" is sample size.

Adopted from Krejcie *et al.*, (1970).

  
**KYAMBOGO UNIVERSITY**

P.O.BOX 1, KYAMBOGO  
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Website: [www.kyu.ac.ug](http://www.kyu.ac.ug)  
*Office of the Dean, Graduate School*

---

Your ref : .....

Our ref : KYU/GSch/01/14

23<sup>rd</sup> September, 2014

TO WHOM IT MAY CONCERN

Dear Sir/Madam,

**REF: LETTER OF INTRODUCTION**


This is to introduce to you **Olum Denis** Registration Number **12/U/307/GMBA/PE** who is a student of Kyambogo University pursuing a Master of Business Administration of Kyambogo University

He is carrying out a research on *“Internal Auditing and Financial Performance of Public Institutions in Uganda, Case Study Kyambogo University”* in partial fulfillment of the requirements for the award of Master’s degree of Business Administration of Kyambogo University.

This is to kindly request you to grant him permission to carry out this study in your establishment.

Any assistance rendered to him will be highly appreciated.

Yours faithfully,

  
Dr. M.A. Byaruhanga Kadoodooba  
**Dean Graduate School**

Bk/nmb