

**THE EFFECT OF INTERNAL AUDITING ON THE FINANCIAL PERFORMANCE OF
SMALL AND MEDIUM ENTERPRISES (SMES) IN MUKONO DISTRICT: A CASE
STUDY OF INTERNATIONAL MEDICAL CLINIC (IMC) AND CAFÉ DELISH.**

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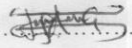
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Declaration

This to verify that this research has been done by ILLUKOL ANDREW GUTI registration no.

I **ILUKOL ANDREW GUTI** declare to the best of my knowledge that this is my own original work and it has never been submitted to any higher institution of learning for any award.

Signed... 

Date... 28th / 08 / 2023

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MR. KISENYI VINCENT
SUPERVISOR

Dedication

I dedicate this research work to my beloved family who tirelessly provided their guidance and support most especially financially throughout my stay in School.

And my supervisor whose tireless efforts toward my education through guidance were perfectly instrumental.

Extended thanks go to Uganda Christian University for enabling me have this opportunity to be part of a great university.

Acknowledgement

Firstly, I take this opportunity to thank the almighty God for the gift of knowledge life and wisdom.

Secondly I would also like to thank the staff of the school of Business and everyone for their support, guidance through my academic journey.

I owe warm- hearted acknowledgement of gratitude to my supervisor Mr.Kisenyi Vincent and my Lecturers for their guidance and giving necessary advice where possible an

May God reward you a abundantly.

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Abstract

This study was carried on “examine the contribution of internal Auditing on the financial performance of Small and Medium Enterprises?”

”. The objectives of the study were to examine to establish the contributions of audit standards and professional competency of Small and Medium Enterprises, to investigate the impacts of Internal Auditing independence on the performance of Small and Medium Enterprises to find out the effects of risk management on the financial performance of Small and Medium Enterprises and to establish the effects of monitoring and controlling activities on the performance of the organizations

A cross sectional research design was used, and primary data was collected to explain the research finding.

The study found out that internal Auditing has various contributions towards the financial performance of Small and Medium Enterprises such as Risk management, Fraud detection which greatly contribute to the financial performance of Small and Medium Enterprises

CHAPTER ONE

1.0 Introduction

This chapter presents the background to the study, statement of the problem, objectives of the study, research question, scope and significance of the study and the conceptual framework.

1.2 The Background of the Study

Auditing is very essential in any business because of the consequences of the performance crisis and how performance problems continue to play around the world. It is very important to employ auditors to intervene earlier in the process by which money is allocated to departments, for better management of services, failure risks and boost public trust then accountability and transparency need strengthening.

According to the International Professional Practices Framework (IPPF), internal audit is defined as an independent, objective assurance and consulting activity designed to add value and improve an organizations 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.

Internal auditing has several aims and principles that are necessary to adhere too. The service applies the professional skills of internal audit through systematic and disciplined evaluation of the policies, procedures and operations that management put in place to ensure the achievement of the organizations objectives, and through recommendations for improvement.

Organizations internal auditors play the role of undertaking an independent examinations and giving assurance on various operations of institutions aimed at enhancing organizational performance every day (Institute of Internal Auditors). This enabling an organization to meet its operational objectives through well thought out and dedicated approaches to evaluate and improve on how best to manage risk, institute effective controls and enhance governance. The Internal Auditors become key by informing the public sector as a result of principle agent relationship that exists between the executive and the public. They also help in safeguarding organizations resources and are expected to give continuous assessment on whether the feedback

meets public objectives and expectations and whether these are well balanced to reduce the risk inherent in the principle agent relationship.

According to the New Vision Newspaper dated November 25th 2012, the office of the Prime minister of Uganda was reported to have lost over 12 million Euros which was Irish aid money in what is quoted to have been a very sophisticated well thought out fraud involving a high level of collusion at a senior level. In its earlier Newspaper dated October 24th 2012, it had been stated that the office of the Auditor General had been prompted among others by revelations of the paper of payments made to private bank accounts of civil servants to do Government work. It further added that the account on which the money had been channeled was held with the central bank but had fallen off the audit radar." On November 11th 2013, the new Vision Newspaper reported that the office of the Prime minister of Uganda had lost over 60billion which was meant for war veterans and victims under the Luwero Ruwenzori Development Program.

1.3 Statement of the Problem

Recent corporate accounting scandals and the resultant out cry for transparency and the honesty in reporting have given rise to two disparate yet logical outcomes. First, Internal Auditing skills have become crucial in untangling the complicated accounting maneuvers that have obfuscated performance statements. Second, public demand for change and subsequent regulatory action has transformed corporate governance. Increasingly, company officers and directors are under ethical and legal scrutiny. Both trends have the common goal of responsibility addressing investors' concerns about the performance reporting system. However there has been laxity in implementation of internal audit findings and recommendations.

Although businesses comply with International standards on auditing, the quality of Auditing is Questionable all over the world. Failure for business's to disclose performance reports or deficiencies of the performance statements have raised concerns about the credibility of audit reports in Uganda. This accounting scandals and outcry for transparency and honesty in reporting has given rise to two disparate logical outcomes for example Internal Auditing skills have become crucial in untangling the complicated accounting exercises that have performance statements. It is therefore against this background that the researcher seeks to examine the impact of it Internal Auditing on the performance of organizations.

1.4 The Main Objective of the Study

The main objective was to examine the contribution of internal Auditing on the financial performance of Small and Medium Enterprises?

1.5 Specific Objectives of the Study

To establish the contributions of audit standards and professional competency of Small and Medium Enterprises?

To investigate the factors that constitutes effective internal audit?

To find out the effects of risk management on the financial performance of Small and Medium Enterprises?

To establish the effects of monitoring and controlling activities on the performance of the organizations

1.6 Research Questions

What is the contribution of risk management on the financial performance of Small and Medium Enterprises?

What is the impact of audit standards and professional competency on the performance Small and Medium Enterprises?

What is the contribution of internal control system practices on the performance Small and Medium Enterprises?

1.7 Justification of the Study

Basing on the resent corruption scandals in various organizations and misappropriation of public funds by various government agencies and other poor financial performance of different organizations for example the Covid-19 recovery funds.

To future Researcher's, the study will add the existing literature on organizational performance and internal audit and practices needed to be used and highlights of area that need further research by the Future Researcher's.

To policy makers, the study relays information to SMEs and other policy makers about what key internal audit practices to be used so as to ensure better performance of SMEs.

Therefore this study on their subject will be necessary.

1.8 Scope of Study

The researcher sought to investigate the contribution of internal Auditing on the financial performance of Small and Medium Enterprises. The study was limited to internal audit practices as the independence variables and organizational performance as the dependent variables.

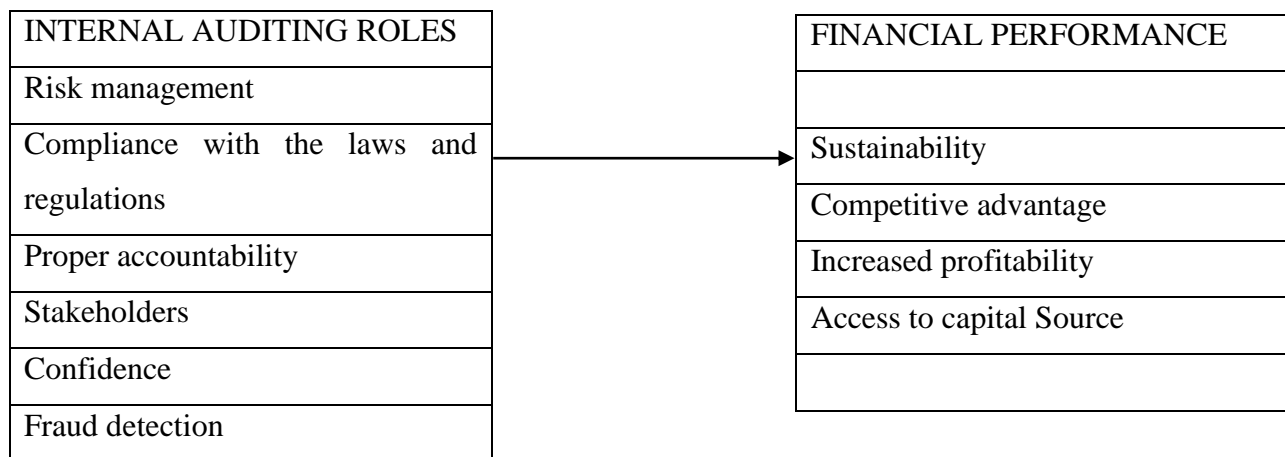
1.9 Conceptual Frame Work

A conceptual frame work is an analytical tool that involves several variations and context (Colander, 2003). Kombo and Trompo (2000) illustrates conceptual framework as the research tool intended to assist a researcher to develop awareness and understanding of the situation under scurrility and to communicate this.

FIGURE 1:1 CONCEPTUAL FRAMEWORK

DEPENDENT VARIABLES

INDEPENDENT VARIABLES



Source. Woodward (2011). Adapted from. Lussier, R.N., and Corman, J. (1996). Small business management. United States of America: Times Mirror Higher Education Group, INC Company.

The figure above shows the conceptual frame work which illustrates and shows the relationship between the variables of the study. The independent variables relate to internal auditing and the dependent variables relate to the financial performance of SMEs

1.10. Limitations of the Study

The people will not easily open up to my questions

The response to my questions will not be as quick as expected

Getting access to the required information will be hard since most organizations keep some information as secret.

Getting permission to conduct the research on some organizations will not be that easy to access.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter presents the major definition of terms and how the research problem under the study fits into the body and also compiles the past investigations other researchers have handled. Therefore the section borrows literature from different authors about the study variables.

2.1 The Concert of Internal Auditing

Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organizations operations. Disciplined approach to evaluate and improve the effectiveness of risk management, controlling and governance processes. Internal Auditing is a catalyst for improving an organization's effectiveness and efficiency by providing insight and recommendations based on analysis and assessment of data and business process (Coram, P, J, Ferguson, C&Moroney, R.A. (2007). With commitment to integrity and accountability, internal auditing provides value to governing bodies and senior management as an objective source of independent advice. Professionals called Internal Auditors are employed by organizations to perform the Internal Auditing activity.

Baltaci, M & Yilmaz, S (2006) the scope of internal Auditing within an organization is broad and may involve topics such as the efficacy of operations, the reliability of financial reporting, deterring and investigating fraud, safeguarding assets, and compliance with laws and regulations. Internal Auditing frequently involves measuring compliance with the entity's policies and procedures. However, internal auditors are not responsible for the execution of company activities; they advise management and the Board of Directors or similar oversight body regarding how to better execute their responsibilities. As a result of their broad scope of involvement, internal auditors may have several of higher educational and professional backgrounds.

But Glass, R. (2005) argued that publicly traded corporations typically have an Internal Auditing department, led by a chief audit Executive (CAE) who generally reports to the audit committee

of the Board of Directors, with administrative reporting to the Chief Executive Office. The profession is unregulated, though there are a number of international standard setting bodies, an example of which is the Institute of Internal Auditors (IIA). The IIA has established standards for the professional practice of internal Auditing and has over 150,000 members representing 165 countries, including approximately 65,000 Certified Internal Auditors.

Internal audit is an additional safeguard for proper financial control in the public sector. Each ministry, parastatals and local government is expected to establish an internal audit division. The Internal audit is responsible for the audit of all financial transactions by carrying out a continuous examinations of all accounting books and records maintained in the organization with a view to checking or detecting fraud and correcting errors.

It is concerned with the examination of the system and procedure in place so as to ensure their conformity with regulation as the case may be that the system of internal control is adequate and that it is continuously operating in accordance with government regulations. It is the job of internal auditor to ensure that all financial transactions are in accordance with the approved regulations and that adequate system of security exists in establishment. (Moon 2005)

Internal audit is expected to be independent and directly response to the Chief Executive. The unit should be properly organized, adequately staffed and equipped to be able to effectively perform its functions (Sabari, 2003), (Dandago, 2002). These should include periodic surprise cash survey in all sections of the ministry or parastatals or local government, checking of revenue collectors cash books, receipt books and bank tellers, as well as, inventory verification of the store and maintenance of plant register and ledgers for the purpose of easy location and identification of assets of the organization. (Jocelyn 2003).

2.2 The effects of risk management on the financial performance of SMEs.

The main focus of risk management has mainly been on controlling and for regulatory compliance, as opposed to enhancing financial performance (Banks, 2004). However, this risk management often leads to enhanced financial performance as regulatory compliance and control of risk enables the organization to save on costs. Banks (2004) further suggests that by managing

risks, the managers are able to increase the value of the firm through ensuring continued profitability of the firm.

Risk management as a process, begins with establishing clearly defined objectives, and then identify risks in achieving those objectives (Risk Identifications), prioritize how great a threat those risks pose (risk analysis) and then determine appropriate responses in form of developing internal controls (Risk control) (Carey, 2001).

Proper risk management is important in the daily operations of any insurance company to avoid financial losses and bankruptcy. This is a key element in reducing risks and consequently, a key driver of profitability. The efficiency of management by insurance companies will generally influence their financial performance. Gold (1999), assert that insurance companies could not survive with increased loss and expense ratios.

Meanwhile, risk management has been linked with shareholder value maximization proposition. Ali and Luft (2002), suggested that a firm will only engage in risk management if it enhances shareholder value, Banks (2004), contributed that it is important for each firm to retain and actively manage some level of risk if it is to increase its market value or if the probability of financial distress is to be lowered, Pagano (2001), confirms that risk management is an important function of insurance institutions in creating value for shareholders and customers.

There's evidence of varying risk management processes. Some firms concentrate only on a narrow set of financial, insurable or measurable events that threaten strategic objectives (Tufano, 1996, Mike's 2009). others address threats that encompass non-financial and qualitative issues. (Mike's 2009; Woods, 2009). The various risk management programs require participation of employees and management predilection towards measurements and management of numbers while others, more skeptical about the relevance and value of risk measures, emphasize the learning benefits from questioning and learning from Numbers. (Mike's 2011). The kinds of risks facing organizations enable some organizations to emphasize on risk management than others.

Kinyua (2010) conducted a study on the assessment of risk as a component of corporate strategy in selected life insurance firms in Kenya. The research employed a descriptive survey design.

The population of the study consisted of only 23 insurance firms involved in life insurance. The findings of the study indicated that the top risk faced by insurance firms were competitor risk, regulation and de regulation risk and industry economics risk respectively. Competitor risk characterized by companies competing for the restricted market which was not made any better by worsening economic situation. Given the reality of risk to company strategy, this study recommended that insurance firms further enhance the deployment of strategic planning tools that give firms an outside in perspective of the strategic planning process

It's evident that the decisions made by Managers affect the risk of financial performance on an insurance company. This then emphasizes the need for proper risk management strategy to direct the goals and interest of management of the interest of the organization. A firms stakeholders also require an assurance that their interests are safeguarded by firm's management and strategies. From the literature, it is discovered that the desire to improve financial performance should be balanced with the risks associated with the operations of the firm. This then leads to the development of a risk management program to meet the strategies

2.3 The importance of internal controls on the financial performance of SMEs.

Internal control as comprising the plan of an organization and all the coordinate methods and measures adopted within a business to safeguard its assets, check the accuracy and reliability of its accounting data, proporate operational efficiency and adherence to prescribed managerial policies, the definition of internal control is divided into financial internal control and non-financial administrative internal control. Financial internal control pertains to financial activities and may be exemplified by controls over company's cash receipts and payments financing operations and company's management of receipts and payments on non-financial internal control on the hand deals with activities that are indirectly financial in nature i.e. controls over company's personnel section and its operations, fixed assets controls and even controls over laid down procedures.

Sound internal control system helps an organization to prevent frauds, errors and minimize wastage. Custody of assets is strengthened; it provides assurance to the management on the dependability of accounting data eliminates unnecessary suspicion and helps in maintenance of adequate and reliable accounting records. This study therefore attempts to establish the

effectiveness of internal control system in manufacturing firms in Kenya (Amudo and Inanga, 2009)

Internal control systems including internal audits are intended to primarily to enhance the reliability of financial performance, either directly or indirectly by increasing accountability among information providers in an organization (Jensen, 2003). Internal control therefore has a much broader purpose such that the organization level of control problems associated with lower revenues, which explore links between disclosure of material weakness and Fraud, earnings management or restatements internal controls provide an independent appraisal of the quality of managerial performance in carrying out assigned responsibilities for the better revenue generation (Beeler et Al, 1999).

There are three major classifications of internal controls; preventive, detective and corrective. Preventive controls predict potential problems before they occur, make adjustments and prevent report the occurrence of an omission, an error or a malicious act. Finally, the corrective controls help in ensuring that the impact of a threat is minimized, I identify the cause of the problem as well as the correct errors arising from the problem. Corrective controls correct problems discovered by detective controls and modify the processing system to minimize the future occurrence of the problem. (Singleton).

2.4 Relationship between internal audit and management of SMEs resources.

(Mc Namee and Selim (2000) stated that managers are operating in an increasing complex of corporate governance. The emergence of risk management as a key organizational process gives the internal Auditing profession a unique opportunity to shift its focus from control of functional area to risk management in terms of resource. The new paradigm recognizes that risk is the driver of organizational activity and corporate strategy is the organizations strategic response to risk. According to (Hespenheide) 2003, demonstrating an understanding of the importance of strong corporate governance is a great opportunity for a company to win in the market place to owners, that the company is managing their risks and thus a sound investment. (Roth 2004) observed that good internal controls provide reliable monetary reporting for management decisions and the accomplishment of goals and objectives, poor or excessive internal controls reduce productivity increase the complexity of processing transaction, increase in the time

required to process transactions and add no value to activity. (Humphrey (2006) asserts that in the process and audit interviews, interactions with Internal Auditors, and review of audit reports, employees get a greater understanding of the functions they perform and why the functions are important. By understanding each tasks significance, employee can have beyond perfunctory activity to perform. In line with Humphrey 2006, Reager 2006 says, in addition to identifying weak or overlooked controls, internal audit lead to process improvement discoveries or efficiency break through and that such exchanges with Internal Auditors can provide employees with new perspectives on their positions, triggering ideas for process improvements or new business possibilities in managing resources.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter presents the methodology of the research. Methodology is the detailed procedure that was used to answer the research questions. The methodology has the description of the research design, sampling techniques, instrumentation and data analysis techniques. The chapter has sub section that present the research design, area of study, target population, sample of the study, how data was collected, and how data was tested. It was conducted by review of the problems the researcher encounter during the study and the limitations of the study.

3.1 Research Design

This study was conducted through a survey study research design. The researcher employed both qualitative and quantitative methods; which involved interviewing different groups of employees from SMEs. This helped the researcher to collect as much data as possible from the respondents more specifically by individual interview. This study was both descriptive and analytical in nature which eased the assessment of internal auditing as a measure of controlling fraud.

3.2 Study Population.

The target population was employees of Uganda Electricity Transmission Limited, Kampala (60) employees from different departments involved and this includes; Administration, and internal audit committee, Treasury department, Engineering department, Public health department.

3.3 Sample technique and sample size.

The study employed simple random sampling. The researcher used random sampling technique in order to give an equal opportunity to everyone in the study population to be included in the sample. This was done using Krejcie and Morgan (1970) sampling technique (Kenpro, 2012).

3.4 Sources of data.

The data was collected in form of primary and secondary data.

3.4.1 Primary Data Source.

Data is said to be primary when it is being collected for the first time for a particular purpose.

Primary data is collected by using various techniques such as: questionnaires, which are administered by the researcher. Personal interview was also conducted by the researcher to gather information from the respondents. The respondents included the head of departments, accountants, town council officials and other employees sought to have relevant information. Primary data is important in a way that it provides first-hand information and experience which enables the researchers to get a sense of originality.

3.4.2 Secondary Data Source.

Data is said to be secondary when it is not being collected for the first time and it has ever been used by other researcher. The secondary data is collected by revising related literature on internal auditing from relevant text books, internet, national newspapers as well as business journals. This is because it's cheaper, less time consuming and provide a less degree of personal prejudice.

3.5 Data Collection Methods.

The researcher used the following data collection methods,

Questionnaire method; the questionnaires were closed ended and this consisted of short questions that meet the research objectives. A series of questions that are easy and convenient to answer but can describe the intended practices or behavior was formulated. Shao (1999) describes a questionnaire as a formal set of questions or statements designed to gather information from respondents that accomplish research objectives. The respondents required to tick the options that best describe their practices, opinions and attitudes. The disadvantage is that they may restrict the respondents in choice, however these questionnaires was close ended in nature this is because this type of questionnaire saves time since most times people do not have time to fill the questionnaire. As regard to quantitative data the researcher used an interview guide where structured questions were designed to with simple question in relation to topic of study.

3.6 Data Collection Instruments.

The researcher used self-administered questionnaires together with personal interview that was largely employed to ascertain data for the study.

3.6.1 Questionnaire.

They are less expensive compared to other methods of data collection in that the researcher not require many people to help her as she is able to deliver the questionnaires personally. There is less interview bias since the researcher is not physically present when the respondents are answering the questions. They time save

3.7 Data Presentation.

This involves the use of statistics which are presented in form of tables, calculations and tabulations in frequencies as well as percentages.

3.7.1 Qualitative Data Analysis.

The qualitative method was used to investigate in details the perception, attitude and experience of what research is about. The researcher also checks for uniformity, accuracy, consistency, legibility and comprehensibility.

3.7.2 Quantitative Data Analysis.

Qualitative data analysis provided data for statistical purposes. This gives rise to numbers and figures.

Editing Data

The researcher checked the relevant and appropriate data and also identifies errors in the data and modify them, this hence helped in ensuring that data was completed, error free, readable and understandable.

Coding Data

This involves translating answers into numerical values or assigning numbers to various categories of variables used in data analysis and it was done using a code sheet.

3.8 Data validity and reliability.

The study involves retesting of the research instruments over time, thus ensuring up to date and consistence of the results and the research and also the conducted interviews by herself to ensure correct results. The test-retest method is done using the same questions to different consults to ensure correct responses.

3.9. Data Processing, Analysis and Presentation

3.9.1. Data Processing

Data collected was checked for completeness, categorized and coded and entered into a computer where it was summarized into frequency tables.

3.9.2. Data Analysis

The data got analyzed automatically using SPSS (Statistical Package for Social Sciences). The SPSS package is opted for, because it handles a large number of variables. The index selected because it measures the degree and direction of the relationship between variables and it also makes it easy for the student to generate the frequency tables.

3.9.3. Data Presentation

Quantitative data was presented in form of descriptive statistics using frequency tables. The researcher thereafter evaluated and analyzed the adequacy of information in answering the research questions through coding of data, identifying categories and parameters that emerge in the responses to the variables of the study. Qualitative data was presented using narrative text.

3.10. Limitations of the Study

Financial constraints: Financing the research study was too costly in terms of transport costs, feeding and processing of the proposal and research report.

Limited time: Inadequate time frame requires for a detailed research study. Comprehensive research study involves a great deal of collecting, analyzing and processing that requires a lot of time.

Hesitation of the respondents: The respondents hesitated to release information to the Researcher. However, the researcher made the questionnaire anonymous assured them that study was purely for academic

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND FINDINGS.

4.0 Introduction

This chapter presents and discusses the results of analysis of the study, looking at the objectives and in relation to the reviewed literature.

The respondents were selected using systematic random sampling technique and this technique was employed to remove bias and to give elements an equal independent chance of being selected for administration of questionnaire. 80 copies of the questionnaire were issued and later analysed.

4.1 Data Presentation and Analysis

The various data obtained appeared really relevant and interesting, in this chapter, the data obtained from the questionnaire were presented and analysed in order to answer the research questions. A rather impressive response rate of 50 representing 100 percent (100%) were retrieved and analysed. The data generated is presented below.

4.2 Response Rate

Frederick and Wiseman (2003) asserts that a response rate has to be presented research finding as they present the validity of the study and findings in to question. With the questionnaire response and direct interview, the study targeted a sample of 80 respondents and a total of 80 questionnaires were distributed

Category	population	Sample size	Response rate
Top management	6	6	6%
Head of departments	14	14	14%
Normal staff	60	60	60%
Total			100%

Source: Primary Data

From the table above, the response rate of top management was 6%, Heads of Departments 14% and the normal workers 60% which therefore totalled to 100% response towards the Questionnaire.

4.2.1 Demographic Data of Respondents

The table below shows the demographic data of respondents at International Medical Centre (IMC) and Café delish which include their sex and age range.

Sex	Frequency	Percentage
<i>Female</i>	<i>32</i>	<i>64</i>
<i>Male</i>	<i>18</i>	<i>36</i>
<i>Total</i>	<i>50</i>	<i>100</i>
Age	Frequency	Percentage
<i>20-29</i>	<i>25</i>	<i>16</i>
<i>30-39</i>	<i>17</i>	<i>46</i>
<i>40 and above</i>	<i>8</i>	<i>38</i>

Source: primary Data

The demographic table shows that 64% of the respondents interviewed at International Medical Centre (IMC) and Café delish were female, while 36% respondents were male. According to the age range, 16% were in the age bracket of 20 to 29 years. And 46% were aged between 30 to 39 while 38%

Respondents were 40 and above. This implies that majority of the respondents were female.

4.3 Does your organization have a dedicated internal audit function?

Basing on the study findings, the respondents were asked if their organization had a dedicated internal audit function, and a positive response was evidenced where all the respondents agreed

with the notion that their organization had a dedicated internal audit function. This implied that the study was carried out in the right place where the people had information on the contribution of internal auditing on the organization's performance.

4.4 What is the contribution of risk management on the financial performance of Small and Medium Enterprises (SMEs)?

The findings revealed that the contribution of risk management on the financial performance of Small and Medium Enterprises, has got various contributions such as creating a safe and secure work environment for all the staff and customers, providing protection from events that are detrimental to both the company and the environment.

4.5 What is the effect of audit standards and professional competency on the performance of Small and Medium Enterprises?

Basing on the study findings, 100% response agreed with the notion indicating on the effect of the audit standards and professional competency on the performance of small and medium enterprises and they gave various points on the impacts such as; providing owners and management with confidence in the accuracy of the financial reports as it allows better planning and makes it easy to budget for the business, it detects signs of fraud, this is basically when the owners are not actively involved in the day to day running of the business.(LDB audit and financial Reporting Jan 19, 2018)

4.6 What is the contribution of internal control system practices on the performance Small and Medium Enterprises?

The findings revealed that the contribution of internal control system practices on the financial performance of Small and Medium Enterprises has got various contributions such as; reducing employee's fraud leading to the success of SMEs in achieving its objectives and goals which is creation of more profits, providing reliable financial reporting for management decisions and they also ensure compliance with applicable laws and regulations to avoid the risk of public scandals.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter summarizes findings from the study, conclusions drawn from the results and recommendations are made. The chapter also presents limitations of the study and suggestions for further study.

5.1 Summary

The study investigated the contribution of internal auditing on the performance of SMEs in Mukono with a case study of International Medical Clinic (IMC), and Café Delish. This study was conducted through a survey study research design, both qualitative and quantitative methods were employed which involved interviewing different groups of employees from SMEs, to collect as much data as possible from the respondents more specifically by individual interview. The study found out that their various contributions of internal auditing on the development of SMEs in Mukono District such as; The findings revealed that the contribution of risk management on the financial performance of Small and Medium Enterprises, has got various contributions such as creating a safe and secure work environment for all the staff and customers, providing protection from events that are detrimental to both the company and the environment.

The findings also revealed that the contribution of internal control system practices on the financial performance of Small and Medium Enterprises are reducing employees fraud leading to the success of SMEs in achieving its objectives and goals which is creation of more profits, providing reliable financial reporting for management decisions and they also ensure compliance with applicable laws and regulations to avoid the risk of public scandals.

5.2 Conclusion

The findings revealed the contribution of internal auditing to the financial performance of SMEs as numerous and these contributions are the ones that lead to the smooth business running and profitability therefore, it's very vital for enterprises to have internal audit systems in there enterprises.

IMC clinic Mukono and Café delish use internal auditing for various reasons such as reducing employee's fraud, providing reliable financial reporting, creating safe and secure work environment for the staff and customers. Internal auditing is one of the tools for SMEs development and performance, therefore internal auditing is one of the essentials of any enterprise to have in their organization.

5.3 Recommendations

IMC clinic and Café delish should strengthen the internal audit system in order to achieve full performance in their operations through strict adherence to audit standards, strict follow up of policies as this would lead to improved performance and development.

5.4 Limitations of the study

Most respondents within the selected SMEs in Mukono district had busy schedules and were not readily available at the time the researcher wanted to engage them in the study.

However, the researcher made a schedule and had appointments with all selected respondents, who reserved time for him and provided the required data for the study.

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Questionnaire

The contribution of internal Auditing on the financial performance of Small and Medium Enterprises?

Dear respondent,

I am Ilukol Andrew Guti a student at Uganda Christian University, Pursuing A Bachelor's Degree in Business Administration. As part of the program am undertaking research study on the contribution of internal auditing on the performance of Small and Medium Enterprises (SMEs) in 'Kauga' Mukono district.

In regard, you have been duly selected a member to respond to this questionnaire. I assure you total confidentiality of the information given to me during this research. This research will contribute to the award of my Bachelor's Degree in Business Administration.

Section A:

Background information of the respondents (Tick where appropriate)

1	Gender	
	Male	
	Female	
2	Age Bracket	
	17-18	
	20-29	
	30- and above	

Organization Information:

- a. Name of the SME:.....
- b. Industry sector:.....
- c. Number of employees.....
- d. Annual revenue.....

2. Internal Audit Function:

Tick the appropriate

a	Does your organization have a dedicated internal audit function?	YES	NO
b	If yes, please provide the job title or position of the internal auditor(s):		

Kindly tick as an indicator of the extent you agree or disagree with the statements using the questionnaire guide.

Questionnaire guide: 1= strongly disagree, 2=disagree, 3= Neutral, 4=agree, 5=strongly agree

Internal control system:

		1	2	3	4	5
1	The organization examines the system of internal check					
2	The organization checks the accuracy of books of accounts, verifying posting.					
3	The accounting records of the organization are properly maintained and kept					
4	There's segregation of duties I regards to authorization and accountability for assets within the organization					
5	Records are regularly updated in the organization					
6	There's routine creation of records for all transactions					
7	The system in place helps in mitigating fraud and errors					
8	There is limited authorization for transactions on and access to computer programs and data files within the organization					

Section B

Audit planning and contribution

		1	2	3	4	5
1	The internal audit function always develops the audit plan					
2	The organization has a criteria used on the process to determine on areas to audit on					
3	The organization determines audit procedures and mythologies					
4	Internal audit ensures that accurate accounts and records of revenue and expenditure are duly accounted for					
5	Internal audit promotes accuracy and reliability in accounting and operating data					
6	Internal audit evaluates the overall efficiency of the operating functions					
7	The internal audit ensures that correct procedures are followed so that the financial and management data disclosed through timey reports					

Risk management techniques applied:

		1	2	3	4	5
1	The auditor routinely reviews and provides input for deficiencies related to the design, implementations and maintenance of the businesses system of internal controls taking into account the potential for fraud					
2	The organization has a system in place to communicate and receive input from the owners and further evaluate the potential impact on achieving the business objective					

3	Responsibilities and delegation of authority have been appropriately assigned and appear to be clearly understood and observed by employees throughout the organization					
4	Management takes seriously deviations from standards and has implemented clear policies and procedures to ensure that these types of behaviors are dealt with consistently and timely. Such as fraud					

Challenges faced in the process of internal auditing in the SMEs in “kauga”

		1	2	3	4	5
1	Time constraint is one of the challenges I face in preparing financial report within designated deadlines for the organization					
2	Reconciling and consolidating financial data from multiple units in the organization is one of the challenges I face					
3	Limited access to qualified professionals with financial reporting, knowledge possess a challenge for the organization					
4	I face difficulty in gathering and organizing financial data for reporting purposes in my business.					
5	Limited financial resources make it challenging to invest in robust financial reporting in the organization					

Section C

- a. In your opinion, what value does the internal audit function bring to your organization?

.....
.....

- b. How do stakeholders (e.g., management, board members) perceive the value of the internal audit Function?

.....
.....

- c. What steps have been taken or can be taken to address these challenges and improve the effectiveness of internal auditing?

.....
.....

Thank you for your cooperation.



**UGANDA CHRISTIAN
UNIVERSITY**

A Centre of Excellence in the Heart of Africa

SCHOOL OF BUSINESS

1st Aug 2023

TO WHOM IT MAY CONCERN

Name: ILUKOL ANDREW GUTI

Reg. No. 520205/037

A bachelor's student who is seeking permission from your office to collect data for his/her dissertation titled

"THE EFFECTS OF INTERNAL AUDITING OF THE FINANCIAL PERFORMANCE OF SMEs in Mukono District - A CASE STUDY OF INTERNATIONAL MEDICAL CLINIC (IMC) AND CAFEDELISH."

We shall be grateful if you could render assistance to him/her in collecting the necessary data for his/her dissertation

The Uganda Christian University School of Business thanks you in advance

Mukisa Simon Peter
Research coordinator