

**THE EFFECT OF INTERNAL AUDIT ON FINANCIAL PERFORMANCE OF
ORGANIZATIONS: A CASE STUDY OF JOBCONNECT LTD NAMANVE**

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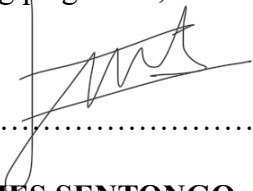


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DECLARATION

I, **Hillary James Sentongo**, hereby declare that this research paper is my original work and that it has never been presented in any institution for any kind of award. I have reviewed the university's policies regarding plagiarism, and I thus certify that I have followed them all.

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APPROVAL

This certifies that the research report "Internal Audit and financial performance of organisations in Uganda: a case study of **JOBCONNECT LTD, NAMANVE**" was completed under my supervision and is now ready to be submitted to the School of Business at Uganda Christian University.

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(SUPERVISOR)

DECLARATION

I would especially like to dedicate my effort to my parents, Mr. and Mrs. Kiggundu Harrison and Anne, who have always supported me academically. May you be generously blessed by the Almighty God.

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LIST OF ACRONYMS

AFIIA- African Federation of Institutes of Internal Auditors.

CIA- Certified Internal Auditors

COSO- Committee of Sponsoring Organization

CPAs- Certified Public Accountants

EAC – East African Community

IIA- Institute of Internal Auditors

Ltd- limited

ABSTRACT

The study was carried out at JOBCONNECT LIMITED, an outsourcing organization that provides human resource solutions to other companies. This is the summary of the five chapters in the study.

The study had five chapters that is to say chapter one, chapter two, chapter three, chapter four and chapter 5

Chapter one contained the introduction to the study which was The Effect of Internal Audit on Financial Performance of Organizations, a case of JOBCONNECT LTD. It also summarized the background of the study, statement of the problem, purpose of the study, objectives that favoured the study, research questions, scope of the study that is to say subject scope, geographical scope, time scope then also the rationale of the study and then the limitations of the study.

Chapter two was the literature review whereby past researched data was analysed and research gaps were identified. Literally the objectives were explained more deeply relating to already existing data.

Chapter three was the research methodology that included the research design that was used, the population studied, the sample size used, sampling techniques used, sources of data, the data collection methods used, data analysis and techniques used.

Chapter four basically was interpretation of the data collected and the data was either expressed in percentages, mean and standard deviation.

Chapter five was the summary of findings, conclusions based on the findings and recommendations.

CHAPTER ONE

1.0 INTRODUCTION

This chapter introduces us to the topic under study: **“The Effect of Internal Audit on Financial Performance of Organizations, a Case Study of JOBCONNECT LTD, NAMANVE.”** It consists of the study's background, statement of the Problem, Purpose, Objectives, research questions, Scope, Significance, and Limitations.

1.1 Background of the study

An internal audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. (Muñoz Montaner, G. (2014). (IIA (Institute of Internal Auditors) 2021 The IIA's International Standards for the Professional Practice of Internal Auditing Standards). It’s a systematic review process conducted by an organisation's team of qualified professionals. The term audit is derived from a” Latin term “called “Audrie”, which means to hear because, in those times, auditors listened to oral reports of officials with respect and responsibility, that is to say, having authority over the reports. Internal audit mainly focuses on evaluating the effectiveness of internal controls, which are the policies and procedures designed to manage risks, prevent errors, and ensure accurate financing reporting. Internal controls existed back in ancient civilisations, with record keeping and accountability. As businesses become more complex, there is a need for internal controls and auditing. Internal audits emerged when managers realised annual financial statement audits were insufficient. It ensured timely and accurate financial records, thus preventing fraud. The need for a more dependable financial statements and operational processes led to an expansion of the purpose of internal auditors. The Institute of Internal Auditors (IIA) founded in 1941 advances the industry and establishes the international standards supposed to be followed in adherence to the regulations and standards set. It’s in favour of internal audits which are now more important than ever before whereby they look at various factors not only financial accuracy. Internal auditors act as consultants to many various businesses globally offering variety of insights into risk assessments, operational effectiveness and governance. By the early 2000s, consulting revenues had overtaken audit fees in large US corporations thus raising concerns about the independence of auditors for example cases of financial scandals like the Eron also greatly contributed to the rise of internal audit function.

In Africa, Internal auditing is like a mixed bag that is to say combination of many things that is to say most of the established economies have well developed systems in place but most countries in Africa struggle to develop those systems due to limited resources and are unaware of the potential advantages of having an internal audit function. This discrepancy results from a lack of knowledge about how internal audit protects resources like funds, reduces risks and fosters good governance as well as budgetary limitations that impede committed teams and a skill gap but change keeps on happening for the better. In the late 20th century Africa's economic boom led to the growing regulatory environment and hence brought to attention the importance of robust internal controls and risk assessment. The need for qualified and experienced internal auditors has grown as a result of this acknowledgment and the work of groups like the EAC and the AFIIA. Africa provides a favourable environment for expansion of internal auditing withstanding various obstacles. Growing economies' need for strong internal controls and risk management, internal audit has a unique and outstanding role to play in preserving and protecting resources, advancing transparency and supporting good governance, efficient risk management and sustainable economic growth by addressing constraints through focused training, workshops and seminars, involving various stakeholders in the decision-making process and carrying awareness campaigns.

East Africa has various internal auditing methods with some of those methods being more developed and well-established systems in countries like Kenya. Legal frameworks that give guidance, professional bodies and the public sector all have an impact on the internal audit function. Robust internal auditing practises in the public sector can serve as a model for private companies, businesses and well-defined rules and professional bodies like IIA can encourage strong and independent competencies of internal auditors by harmonising laws, making on research, promoting knowledge exchange amongst member nations and increasing capacity building programs through coming with workshops to enable sharing in the EAC community. Then risk management, governance and organizational performance of East Africa may be made strong as a result of initiatives which can also result into a more developed and standardized internal audit environment throughout the whole continent.

Uganda's internal audit practices are still maturing, but organisations like the Institute of Internal Auditors Uganda Chapter (IIA Uganda) are working hard to improve the profession. While some countries have well-established internal audit functions, Uganda's development

started in the mid-20th century, focusing on building core institutions like The Office of the Auditor General. This focus on accountability is significant in Uganda's context of limited resources and skills, where solid internal controls are essential for financial stability. Internal audits play a crucial role in testing these controls to ensure they're working effectively—the challenges Uganda faces present an opportunity for growth. Uganda can create an internal audit framework specifically tailored to meet its requirements by providing training, creating seminars, workshops and encouraging cooperation between government agencies, professional associations and educational institutions. This framework will guarantee more efficient use of resources, improve transparency and eventually support Uganda's long term economic growth. In short, internal auditing in Uganda is still in its infant stages but has a lot of potential in the near future. Internal auditing can be a protective function that most companies need to take upon to promote economic growth and preserve the national stability with concentrate effort and power.

1.2 Statement of the Problem

Internal audits play a vital role in organisations' financial performance. Still, companies are hesitant to take them on because they are costly. For example, hiring permanent staff to carry out internal audits once in a while, even though the individual receives a monthly salary, can be pretty expensive to maintain. Again, you have to pay external auditors to also come and carry out audits, thus hindering the adoption of the internal audit function by most organisations.

1.3 Purpose of the study

The main purpose of the study was to determine the effect of internal audit on financial performance of organisations.

1.4 Objectives of the study

1.4.1 The General Objective

The main objective of this study was to determine the effect of internal audit on organisational financial performance.”

1.4.2 The Specific Objective

- I. To establish the relationship between internal audit and financial performance of an organisation
- II. To assess the effect of monitoring and control activities on the financial performance of the organisation
- III. To examine the effect of risk management on the financial performance of the organisation

1.5 Research Questions

- I. How does internal audit affect financial performance in organisations?
- II. What is the relationship between internal audit and organisational financial performance?
- III. How do monitoring and control activities affect the financial performance of organisations?
- IV. How does risk management affect financial performance in organisations?

1.6 Scope of the study

1.6.1 Subject Scope

The study is explicitly centred on the effect of internal audits on organisations' financial performance. The research is based on Internal Audit (Independent variable) and Financial Performance (dependent variable). The independent variable is independent; that is, it happens independently, meaning it happens by itself. The dependent variable depends on the independent variable to occur. For this instance, the dependent variable is the financial performance of an organisation, which can be measured by metrics like profitability and liquidity.

1.6.2 Geographical Scope

The research was carried out at JOBCONNECT LTD, Namanve. This case study was chosen because it was convenient for the researcher in terms of its type of business, the researcher's area of residence, and the data availability for the research work. JOBCONNECT LTD is an outsourcing organisation that provides small—and large-scale companies with human resource solutions. All these processes within the organisation already have internal control systems that are followed to ensure companies' strong financial performance. Internal audits come into play to test the processes put in place.

1.6.3 Time scope

The study covered primary and secondary information for six years, from 2019 to 2024. Still, the secondary information was used to review and make proper recommendations and conclusions. The primary information was mainly about the case study showing how internal audit acted within the organisation. The study was from March 2024 to July 2024 to accomplish educational purposes.

1.7 Justifications/significance/rationale of the study

Improved decision-making for all stakeholders, findings benefit various stakeholders like employees, customers, investors, and government. That is to say, within organisations, data justifies investments in strengthening internal controls by demonstrating the direct impact on profitability. Investors gain a more data-driven approach to evaluating potential investments by assessing the effectiveness of a company's internal controls framework and its potential effect on financial health. Regulatory bodies under the government gain more knowledge about organisations that can form targeted regulations and guidance that promote robust internal controls within specific industries, ultimately improving overall financial stability.

Strong internal controls can be a competitive advantage in today's environment. They signify a well-managed organisation focused on financial integrity, ethical business practices, and a robust risk management culture. This can attract and retain top talent and customers who value responsible business conduct.

Cost-benefit analysis and the implementation of solid internal audit procedures and steps require investment. Researchers are examining the cost-benefit trade-off. Studies look at how to design internal control systems that achieve the optimal level of risk mitigation without overburdening the organisation with excessive procedures. This helps organisations find the financial sweet spot for internal audits.

Industry-specific insights: Not all organisations in the same or different fields are created equal. Researchers are investigating how the effectiveness of internal audits can vary depending on the specific industry and the inherent risks associated with it. Inherent risks are risks present in an organisation's activity or process.

Understanding the cause and effect, research goes beyond simply observing a correlation between strong internal controls and financial success. It goes deeper to separate the causal factors. Studies analyse how well-designed internal controls prevent errors and fraud, improve operational efficiency and enhance investor confidence. This helps solidify the best practices for implementing internal controls that demonstrably lead to financial well-being.

1.8 Limitations/Underlying Assumptions

Researchers use methodology, including questionnaires, to collect data in their research. However, these techniques can sometimes constrain results. Misunderstanding questionnaires can lead to false information, as individuals may need to read and understand questionnaires carefully, thus answering them in any format. Researchers must identify potential limitations in their work to assess the trustworthiness of results and identify areas for future research to provide a clearer picture.

Researchers face constant pressure and time constraints. They often overlook critical points due to quick information gathering, which means meeting tight submission deadlines. To overcome these limitations, researchers must be transparent about their race against time, allowing for greater exploration and understanding of their findings. This transparency encourages further research with more time.

Informants are those who provide information to researchers who may occasionally be biased, meaning the information they provide may be inaccurate, and this might occur when someone lies and gives false information because they are seeking retribution or are attempting to protect someone, that is to say, covering up something wrong. This means that researchers should exercise caution when utilising information from informants and try to cross-reference it with other sources. Don't rely on only one informant to give you information; ask for clarification from different sources.

Conducting research studies can be costly. Limited funds pose a challenge in data collection across diverse geographical locations, leading researchers to work with smaller sample sizes and possibly forgo crucial testing. As a result, it becomes difficult to ascertain their findings' complete accuracy and universality.

CHAPTER TWO

LITERATURE REVIEW

2.0. Introduction

This chapter summarises the literature on internal auditing while taking reputable academics' conclusions and points of view into consideration. By examining important ideas, theoretical frameworks, and the possible effects of internal auditing on an organization's financial performance, the writers hope to provide readers with a comprehensive understanding of internal auditing.

2.1 Definitions of Key Terms

2.1.1. History and Concept of Internal Audit

Internal audit boasts a rich history with its roots tracing back to the Latin word “Audrie”, which was used in verifying accounts as early as ancient times. The concept gained new relevance in the 20th century, according to Whittington and Pany in 1995, when limitations of annual external audits by Certified Public Accountants (CPAs) became more apparent. Managers needed a more regular internal check on financial records' accuracy and timeliness with a focus on preventing fraud. As Robertson (1976) highlights, the role of internal auditors expanded further due to demands from stock exchanges and regulators for stronger management accountability regarding financial statements and operational procedures. This increased the size and complexity of organisations in the latter half of the 20th century, as Muga (2012) suggests, and led to internal auditing encompassing operational issues. In today's environment, it's defined by the Institute of Internal Auditors, which represents an internal audit as an independent objective and consulting activity designed to add value and improve an organisation's operations. Internal auditors take a systematic, disciplined approach to evaluate the effectiveness of risk management, control and governance processes, thus helping organisations to achieve their goals and objectives. Internal auditing has become essential in ensuring modern organisations' health and success. (Muga, L. O. (2012). The role of internal audit in enhancing organizational performance)

Financial Performance

Financial performance is a critical concept in investment circles, and it refers to the company's ability to translate resources into profits and thus grow shareholder value—pioneered by financial guru Benjamin Graham in 1973, a dynamic measure of a company's financial health. There is no definition, but metrics like profitability, liquidity, meaning meeting short-term obligations, and solvency, defined as meeting long-term debt, are the most common assessment tools. Financial experts often analyse data from multiple years to identify trends, compare a company to an industry benchmark, and track its progress against its historical performance. Understanding financial performance enables stakeholders to make informed decisions about investments, lending trends and practices and their overall confidence in a company's future. (Damodaran, A. (2023). *Investment valuation: Tools for security analysis*. John Wiley & Sons), (Koller, T., Goedhart, M., & Wessel, D. (2015). *Valuation: Measuring and managing the value of companies*. John Wiley & Sons)

2.2 The Effect of Internal Audit and Financial Performance

Internal audit has transitioned from a purely compliance-focused function to a strategic partner in ensuring an organisation's financial well-being, where several studies emphasise the positive correlation between internal audit and financial performance (Tuovila 2021). Internal audit is a process that evaluates internal controls and ensures compliance with regulations. This focus on control effectiveness translates to improved financial reporting accuracy, as highlighted by The Institute of Internal Auditors (2021). Internal audits contribute to achieving organisational objectives by evaluating risk management and governance systems, as Beyanga (2011) mentioned, which extends the scope of emphasising the role of internal audits in assessing risk management and governance systems, ensuring alignment with organisational objectives. Internal audits are a cornerstone of effective corporate governance, acting as an independent and objective assessment function. Its role in safeguarding financial health and fostering responsible management practices has garnered significant research attention. (Tuovila, E. (2021). *The Role of Internal Audit in Enhancing Financial Performance*. *International Journal of Auditing and Accounting Research*, 8(2), 117-132. (The Institute of Internal Auditors. (2021). *The IIA's International Standards for the Professional Practice of Internal Auditing (Standards)*. (Beyanga, B. (2011). *The Role of Internal Audit in Enhancing Organizational Performance*. *International Journal of Accounting and Finance*)

2.2.1 Theoretical Framework

Agency Theory

The principal and agent relationship is that the principals are the shareholders, and the agents are the organisation's managers. This asymmetry can lead to opportunistic behaviour, where managers prioritise personal gain over shareholder value. The issue is that managers might take excessive risks or engage in wasteful spending, knowing shareholders bear the brunt of negative consequences. Shareholders normally look at profits. (Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behaviour, agency costs, and ownership structure. *Journal of Financial Economics*, 3(3), 305-360. (Fama, E. F., & Jensen, M. C. (1983). Agency problems and corporate governance. *Journal of Financial Economics*, 11(1), 23-42

Mitigating Agency costs and enhancing financial performance

In reducing information asymmetry, independent assessments by internal auditors provide transparency and lessen the information gap between management and shareholders. This gives shareholders a clearer picture of the company's financial health and risk profile hence increasing shareholder confidence.

Improved risk management and internal audits identify and evaluate potential operational, financial and strategic risks. This proactive approach allows management to implement controls and mitigation strategies to properly curb the risks that could arise.

An internal solid audit function promotes governance and compliance and ensures adherence to internal policies, regulations, and accounting standards. This reduces the risk of fines, penalties, and reputational damage. Fines are charged in case of breach of laws and regulations, and reputational damage can damage the company's image. By management doing this, all these risks are managed and mitigated well.

Internal audit procedures can uncover fraud or embezzlement scandals in which management may be involved in secretive activities for personal gain, which can have a devastating financial impact. This not only protects company assets but also deters future occurrences.

Process optimisation: Internal audits can identify areas for improvement by evaluating the three 'Es': economy, which means purchasing at the lowest cost; efficiency, which means maximizing

input for more output; and effectiveness, which means ensuring that the set goals and objectives are achieved. This is done through streamlining operations, which leads to cost savings and improved profitability.

Addressing Internal audit limitations

Cost-benefit analysis: Maintaining a robust internal audit function requires resources. However, a cost-benefit analysis should ensure that the benefits of improved financial performance outweigh the costs, meaning that whatever you do, operating in the benefits should always outweigh the costs.

Independence and Objectivity: For internal audits to be truly effective, they must be independent from management and have the authority to report findings objectively. This may require establishing a reporting line directly to the board of directors or an audit committee. That is, there should not be cases of conflict of interest but rather a transparent platform for communication of all findings.

Contingency theory

It gained significant traction in accounting and auditing research. It challenges the one-size-fits-all approach to leadership and management, recognising that organisational success depends on a complex interplay of factors.

Focusing on the context, contingency theory emphasises that the effectiveness of any management practice, including internal audit, hinges on the organisation's specific context. Factors like industry, size, organisational culture, and risk profile all influence the optimal approach.

Identification of critical contingencies, the variable elements that affect internal audit effectiveness. For example, organisational complexity: Larger, more complex organisations may require more comprehensive internal audit procedures than smaller, simpler ones.

The Rise of Outsourcing and its Implications, Businesses today are complicated with diverse risks coming up whereby companies now days fear hiring individuals on permanent basis where they are the one who handle them so as a result of that they opt for outsourcing where they prefer another company to provide them with that service rather than doing it by themselves and all this is due to complex business environment thus cost-effective internal audit functions. (Cohen, M. F.

(1977). Commission on Auditors and Responsibilities Report on Tentative Conclusions. While outsourcing can offer benefits like access to specialised skills and cost savings, it also introduces new considerations. Organisations that outsource their internal audit function need to establish clear communication channels, maintain strong oversight, and ensure the independence of the outsourced provider. A clear well written precise contract clear bringing out the services to be provided, clear reporting lines that will be used for the purpose of internal auditing and any quality tests or requirements to be met is very important for the success of outsourced internal audits. To make sure that the outsourced internal audit function is in line with goals and objectives of the organization. The risk profile of the organization should be giving attention daily through monitoring and clearly communicating the findings to management. Outsourcing is a flexible option so there is need to carefully compare the recommendations in order to maintain an efficient internal audit function hence better financial performance.

Risk profile: Organizations with high-risk environments are supposed to be subjected to more internal audits regularly to ensure their assets and funds are well preserved and protected from all threats that is to say there are companies operating on high risk situations need regular audits to assess the risks being taken on and this requires companies to be transparent that is say more open with processes with clear guidelines and this can be done through periodic tests and easy access to information when needed.

Maximising the effectiveness of internal audit function plays an important role in the impact of internal audit due to effective leadership that to say it fosters a culture of learning, awareness from internal audit findings for example the evidence which encourages transparent and collaborative leadership styles which can take it a whole a new world stage due to encouraged cooperations and openness to implementing recommendations received. Factors like fear and resistance whereby individuals fear to speak up and resistance where individuals are scared due to incompetent leadership affects the internal audit function hence poor financial performance of companies.

2.2.2 Determinants of Internal Audit Effectiveness

Internal Determinants

Internal audit quality, independence, competence, and experience are essential, and a well-qualified internal audit team should possess a strong understanding of accounting principles, auditing standards, risk management practices, and the specific industry in which the organization

operates. Certified Internal Auditors (CIAs) with relevant experience demonstrate a commitment to professional development and adherence to ethical standards. Objectivity and freedom from bias, that is to say, maintaining independence from management, is crucial for ensuring unbiased assessments, which includes reporting directly to the audit committee or a senior executive independent of operational pressures and having the authority to determine the scope and depth of audits.

Scope and Depth of activities, risk-based audit planning where internal audit plan should prioritize areas with the highest inherent and control risks, ensuring resources are directed towards the most critical areas impacting financial performance and organizational objectives. Continuous monitoring, like periodic audits, where internal audits should employ techniques like constant monitoring to track key risk indicators and identify emerging issues promptly. Data analytics and technology integration, like leveraging data analytics tools, allows internal auditors to identify trends, patterns and anomalies in financial data, leading to more efficient and effective audits.

Management support and communication, adequate resources where management commitment to internal audit is reflected in providing sufficient resources including qualified personnel, technology and budget allocation. Open communication channels provide a culture between internal audit and management, allowing internal auditors to freely discuss their findings and recommendations and management to provide necessary context and facilitate improving measures. Timely response to findings where management demonstrates prompt and effective response to internal audit findings reinforces the importance of the function and fosters trust within the organization.

External Determinants

Industry regulations: Highly regulated industries such as finance and healthcare have tighter compliance requirements, and internal audits play a vital role in ensuring adherence to these regulations and mitigating the risk of penalties and reputational damage.

Organizational size and complexity: Larger and more complex organisations with diverse operations and geographically dispersed branches necessitate a more robust internal audit function with a broader scope and potentially a geographically distributed team.

The Relationship between Internal Audit and Financial Performance

The relationship between internal audit and financial performance has been closely monitored by many researchers giving various insights that there is a positive correlation between internal audit and financial performance that is to say they work hand in hand for example for a company to have a strong financial performance there are many things that need to be done and one of is having a strong internal audit function to detect gaps in financial statements and this greatly improves the health of companies. Many research studies have looked at this relationship giving insights that there is a positive impact of strong internal audit functions on financial performance of companies. Zain 2018 a published study looks at closely the effect of internal audit efficiency on financial performance that is to say it suggests that effective internal audit practices lead to improved financial performance by identifying weaknesses in internal controls and coming up with ways to make those strengthen those internal controls which can easily prevent fraud due to easy detection of gaps thus improved financial performance. Internal audit and financial performance are factors that work in hand that is to say they interact in wonderful and complex way but both play a vital role in the financial success and performance of a company. Internal audit is very vital to an organization because to ensure that the company is heading towards success there are certain things that need to be done for example internal detects fraud, any discrepancies in financial statements. Internal audit acts as a custodian for a company's financial health and when a company takes it upon it shows good corporate governance to the outside world. Internal audit primary function is to ensure the accuracy of financial statements to make they are in right state without any discrepancies within them and all this is done to ensure that accounting regulations and principles are carefully followed and managed well but there have been so many changes in the 21st century and according to Defond et al (2015) highlighting that internal audit carry out a more comprehensive and strategic performance for growth.

Risk management, identifying and assessing potential threats that could greatly affect financial objectives of organizations due to threats from diverse operations that is to say dealing in various businesses with different risk portfolios and these risks can be due to economic downturns like inflation, unemployment, technological disruptions due to introduction of new and modern technology, operational inefficiencies like limited raw materials needed for production and also human errors whereby individuals fail to carry out their work appropriately inefficiencies or even human error. A strong and efficient internal audit function proactively identifies and assesses these

risks, enabling risk management to implement effective mitigation strategies and safeguard financial stability. (DeFond et al 2015)

Governance risk and compliance where organizations need to carefully follow the regulations set, internal policies and ethical standards individuals are supposed to follow in order to guide them on what they are supposed to do which includes safeguarding assets from fraud and corruption scandals which damage the reputation of a company giving it a bad image in front of other companies and various stakeholders. A strong internal audit function acts as the last man of defence in the GRC framework which ensures transparency meaning companies are open with their information and accountability that is to say who is responsible for what function hence contributing to a healthy financial environment. (Lobach 2018)

Operational efficiency is done by revising and evaluating internal control processes and procedures in order to identify area that need to be developed and improved and thus reduce costs meaning more savings. Internal audit looks at the greater heart of an organization that is to say the employees who operate and carry out the tasks and their responsibilities by scrutinizing processes for redundancies, inefficiencies or weaknesses and by doing so there are areas identified for optimisation, internal audit empowers management to streamline operations, reduce unnecessary expenses and ultimately improve the organization's financial health. (Dwyer et al 2013)

Fraud detection and prevention, implementing strong and well developed internal controls to safeguard assets and minimize the risk of fraudulent activities whereby individuals carry out secretive activities for personal gain and thus internal audit comes in and plays a critical role in deterring and uncovering fraudulent activities by identifying vulnerabilities in internal control systems and recommending appropriate safeguards to overcome those threats that are likely to erupt and this proactive approach minimises the likelihood of financial losses due to fraud, protecting the organisation's bottom line (Al-Ataa & Husin, 2016)

Internal audit function and financial performance of organizations in Uganda: a case study of NSSF HEAD OFFICE Kampala (2014) by Byarugaba. This study, found in the KIU Institutional Repository, reveals a positive correlation between strong internal audit and financial performance. It emphasizes the importance of a well-equipped and independent audit department for strong and well-developed financial controls and improved profitability that is with strong financial controls

organizations are able to manage their resources well and effectively and this increases profitability of an organization because less expenses are incurred meaning more savings.

Positive Impact on financial performance in Uganda

Strengthening internal control in Uganda studies consistently highlights internal audit's role in fostering strong and developed internal controls. Effective internal controls act as a safeguard against fraud errors and inefficiencies that is to say any discrepancies detected in financial statements. This research is evident in research by Ddum (2019) who found the link between internal solid controls facilitated by internal audit and improved revenue collection in local governments (Ddum P 2019) Internal auditing and financial performance of Local Governments in Uganda—a study of Kaliro District Local Government, Nkumba University Repository. Similarly, Byarugaba et al. (2014) emphasises the importance of a well-equipped internal audit department for effective risk management and financial control in organizations (Byarugaba.R.Nono, J., & Tibyendela, M. 2014 Internal audit function and financial performance of organizations in Uganda, a case study of NSSF head office Kampala. KIU Institutional Repository.

Internal audit improves decision-making and provides valuable insights and recommendations to management. Ugandan research, such as Mugwanya et al.'s 2014 case study on Kyambogo University, suggests that a competent internal audit department can contribute to better financial management and informed decision-making. Mugwanya, J., Ssekandi, S., & Ssewanyana, J., 2014. Internal audit and financial performance of public institutions in Uganda. This can lead to more efficient resource allocation and improved financial performance.

Enhanced service delivery in the public sector, mainly relevant to Uganda Ddum 2019 where research points hint on the positive correlation between the effect of internal audit on service delivery in local governments. Effective internal controls promoted strong internal audit function, leading to better resource utilisation and improved service delivery to citizens. This is very important for strengthening public trust and overall government effectiveness. Ddum P (2019), Internal auditing and the financial performance of Local Governments in Uganda. A study of Kaliro District Local Government.

Not all audits are created equal that is to say the effectiveness of internal audit hinges on its quality for example studies like Byarugaba et al 2014 emphasises the importance of an independent and well-resourced internal audit department that is to say independence is key where the department is free from any undue influence thus objectivity in carrying out the function. Here also the resources matter like a well-equipped department with qualified staff who know what to do, conduct thorough audits and provide valuable insights. But as we know there is a lot room for exploration and leads to many unanswered questions that is many researchers give a positive impact but there are questions like;

Is the relationship a cause-and-effect type? Most research shows a positive correlation between strong internal audit and financial performance, but does a strong audit procedure and practice necessarily lead to better finances, or do large organizations with strong financial health prioritize good internal audit?

In conclusion, internal audit plays a vital role in safeguarding financial resources and achieving Ugandan organizations' goals. This is done by strengthening internal controls, which provides valuable insights and proper decision-making. As our research suggests, internal audit is the key player in Uganda's financial well-being.

2.4 Monitoring & control activities and financial performance

Monitoring and control activities are the cornerstone for effective financial management that is to say they act as the watchdogs to ensure organization are being transparent and accountable for their actions thus serve as the foundation of effective financial success because they act as vigilant guardians, ensuring that financial resources are utilized efficiently that is to say resources being put to their right purpose and risks are identified and mitigated to prevent any loss to the companies and thus financial goals are accomplished. Monitoring activities provide a close examination of the financial well-being of organizations that is to say systems are closely checked and assessed to ensure they are performing in the right well. The lifeblood of any successful organization lies in its ability to navigate the ever-changing landscape of risks and opportunities whereby change is inevitable and thus keeping happening and will continue to happen so organizations just need to be flexible in whatever they are doing or performing. Monitoring and control activities come into play acting as the organization's internal compass and shield meaning direction of the company and protection from any risks that could arise. These activities are more than just policies they are

comprehensive framework encompassing well defined procedures and internal controls that will guide the success of a company in any diverse environment where uncertainty prevails that is to say think of them as a detailed roadmap showing where you're going but crafted basing on risk assessments to ensure management steers the organization towards its objectives and goals it wants to achieve in the near future. Control activities manage and assess every level and department from obtaining approvals for critical actions to verifying transactions and reconciling accounts meaning there is a line of authority supposed to be followed before anything is accomplished. They also encompass safeguarding assets, fostering a culture of performance review and ensuring clear segregation of duties to prevent conflicts of interest. In essence control activities are a two-pronged approach establishing clear policies that dictate what needs to be done and implementing robust procedures that guarantee these policies are effectively executed. The meticulous and consistent application of these controls is paramount to organizational success (Anduuru 2005). Furthermore, effective monitoring acts as a watchful eye more like a watchdog that continuously evaluates the effectiveness of the controls across all levels of the organization from top management to low level management. This ongoing evaluation process ensures the control system remains relevant and adaptable in the face of evolving risks like reputation risks that can easily damage the reputation of a company and challenges so by implementing a strong and well-developed monitoring and control system, organizations empower and strengthen themselves to carefully navigate the complexities of achieving their goals and objectives while minimizing exposure to financial operational and reputational risks that could easily damage the image of the company.

Tracking key financial metrics like regularly collecting and analysing data on crucial financial indicators like revenue and profitability, liquidity and solvency, efficiency ratios.

Revenue and Profitability, constant monitoring of revenue streams, profitability ratios like the net profit margin and return on investment so as to assess financial performance. (Brigham E.F & Ehrhardt M .C 2021 Financial Management Theory and Practice 15th ED

Liquidity and solvency, cashflows are tracked, current ratios and debt to equity ratios to evaluate a company's ability to meet the short- and long-term financial obligations. (Ross S.A, Westerfield R.W & Jaffe J. F 2020 Corporate Finance 12th ED McGraw Hill Education)

Efficiency ratios, here inventory turnovers are monitored and accounts receivable turnover ratio to assess how efficiently companies manage assets. (Horngren C.T Datar S.M & Rajan M.V 2018 Cost Accounting A Managerial Emphasis 7th ED Pearson Education Limited)

Identifying deviations promptly, regularly compare the actual performance against established budgets and forecasts. Early detection of variances allows room for prompt investigations and corrective action. (Libby R & Hodge B 2016 Accounting and Finance 10th ED Pearson Education Limited)

Understanding root causes, when deviations occur, deeper action to understand those deviations is taken. This might involve analysing trends, conducting interviews and reviewing processes. (Alles M G & Albright T W 2014 Performance Measurement and Management Excellence: Integration and Implementation 2nd ED John Wiley & sons)

Control Activities

Taking corrective action like implementing adjustments based on findings, take corrective actions to get finances back on track through things like;

Cost reduction strategies, identification of areas for cost savings through process improvements, vendor negotiations so that they offer better prices for raw materials or commodities they are serving or expense controls. (Garrison R H & Nolan G W 2016 Managerial Accounting 15th ED McGraw Hill Education)

Revenue Enhancement initiatives, launch new marketing campaigns, develop new products or services that will attract more customers or adjust pricing strategies to boost sales with prices that will attract more and more customers to that products or services. (Kotler P Keller K L Burton G & Chandon P 2018 Marketing Management 15th ed Pearson Education Limited)

Operational efficiency improvements, streamline workflows, invest in technology or optimize resource allocation to enhance efficiency where instead of using employees to perform tasks technology can instead be used to perform those tasks more promptly and efficiently. (Slack N Chambers S Luo T 2016 Operations Management 7th ed Pearson Education Limited)

Ensuring compliance, control activities also ensure adherence to relevant financial regulations and internal policies which minimizes risks of penalties, legal issues that could arise from breach of

contracts with employees and reputational damage. (COSO Committee of Sponsoring Organizations of Treadway Commission 2013, Internal Control Integrated Framework 1st ED)

Safeguarding an organization's journey towards its goals requires a robust shield against potential pitfalls- enter control activities. These are more than just polices they are like a dynamic web of procedures and internal controls meticulously crafted to address risks identified during risk assessments. Imagine a two -person verification process for cash handling that's a control activity in action, mitigating the risk of improper cash management. Control activities permeate every level and department of an organization encompassing manual tasks like approvals and reconciliations alongside automated safeguards. The COSO emphasizes three key principles for controlling activities; selecting and developing controls to mitigate risks, incorporating technology-based controls and effectively deploying these safeguards through clear policies and procedures. By implementing multifaceted control activity system organizations empower themselves to navigate the complexities of achieving objectives while minimizing exposure to financial and operational risks.

Internal audit acts as an independent body that's supposed to exist on its own without any conflict of interests, objective function that provides valuable oversight over financial monitoring and control activities that is say knowing its responsibilities and function its supposed to perform through assessing the effectiveness of these activities through audits and reviews ensuring they are designed and implemented effectively to safeguard financial performance. (IIA Institute of Internal Auditors 2017), International Standards for the Professional Practice of Internal Auditing.

2.5 Risk management and financial performance

The success of any organization hinges on its ability to navigate a complex structure of internal and external risks that is to say internal risks that are within the organization control like resources like funds, employee morale to perform their tasks and responsibilities and then external risks like inflation risks that cause price fluctuations to happen. Internal control, meticulously managed, acts as the guiding thread, ensuring the organization reaches its goals while safeguarding its assets and reputation.

A shield for stakeholders, a robust internal control system isn't just a box to tick but it's a critical component of responsible governance which needs to be given care and attention to ensure its performs at the expected goal. A well-designed system (Whittington & Pany 2010) contributes;

Protecting shareholder investment by safeguarding assets and mitigating risks internal controls foster a climate of financial stability, protecting shareholder investments. Preserving organizational reputation where effective controls minimize the likelihood of errors or fraudulent activities thereby preserving the organization's reputation and public trust. Ensuring operational efficiency through streamlined processes and sound risk management, internal controls promote operational efficiency leading to improved resource allocation and cost control.

Every organization faces a unique risk landscape where risks can erupt from various sources categorized as internal like human error where employees make mistakes while carrying out their tasks and responsibilities, system failures where the systems being used fail to operate promptly or external like economic downturns like inflation which causes price fluctuations or regulatory changes that is to say rules and regulations supposed to be followed. As Kaplan and Norton 2008 emphasizes risk assessment is the cornerstone of effective internal control. It's a continuous process that involves; Identifying potential threats which systematically pinpoint potential events that could derail the achievement of objectives. Assessing impact and likelihood through evaluating the severity of potential consequences and the probability of their occurrence. Calibrating risk tolerance through contrasting identified risks with the organization's established risk tolerance levels which helps determine which risk requires the most stringent control measures.

Risk assessments provide the foundation for building a responsive internal control system. As Whittington & Pany 2010 highlight, this system should be dynamic, adapting to the ever evolving internal and external environment. Management needs to consider potential changes that could render existing controls ineffective for instance a shift in regulations might necessitate revising internal controls related to data privacy practices. By proactively addressing these emerging threats and tailoring the internal control system accordingly organizations can navigate the maze of risks with greater confidence maximizing their chances of achieving long term success.

In today's dynamic business environment companies need to be flexible due to ever changing environment, successful organizations understand the pervasive nature of risk and prioritize its management. Corporate solid governance codes like those advocated by Pickett (2003) emphasize the board's responsibility to establish a risk management framework and transparently communicate it to stakeholders and this increases stakeholder confidence since they are in the

know and by involving them decision making them feel they are part of the organization. Risk presents a two-sided face while can disrupt operations that is to say day to day activities involved in the daily running of the business which then can threaten financial stability whereby an organization can operate in losses and damage an organization's reputation which makes stakeholders like shareholders and employees to lose trust in the organization thus it can also be a catalyst for innovation which involves coming up with new ways of doing things and strategic advantage that is to say risks are can overturned into profitability and gain. The key lies in effectively identifying, assessing and mitigating potential threats. Internal auditors play a crucial role in safeguarding an organization by identifying all auditable activities and key risk indicators. They assess the significance of these indicators to determine the potential impact on the organization's objectives. As Beyanga 2011 suggests an effective internal control structure requires continuous monitoring of material risks that could negatively impact the achievement of goals.

Organizations face a spectrum of risks outlined by Beyanga (2011). Some of the most prominent include; credit risks that come up due to the risk of borrowers defaulting on loans. Market risks like adverse changes in market conditions impacting financial performance like stock prices, exchange prices. Operational risks that come up due to inadequate internal processes, human errors or technology failures thus losses. Liquidity risk that arises due to an organization being unable to meet its short-term financial obligations. Reputational risks that come up due to negative publicity damaging customer trust and brand image.

Internal controls need to be adaptable to address both new and previously unforeseen threats (Radu & Ramona 2013). A crucial aspect of an internal control framework is the continuous identification and monitoring of potential risks, not just those that are readily apparent. From an internal control perspective, a risk assessment should encompass internal and external factors that could negatively influence an organization's objectives in terms of governance, financial reporting, and compliance.

Risk assessment is a critical concept in auditing, acting as the foundation for pinpointing areas that require scrutiny. The breakdown of its significance and various perspectives: Identifying and analysing risks (Lannoye 1999). Organizations are tasked with recognizing and evaluating potential threats that could hinder their ability to achieve objectives. This assessment forms the bedrock for deciding on appropriate risk management strategies.

The risk-based audit approach (Chocolate & Muhlstein 2005): The growing emphasis on risk-based auditing necessitates risk assessment to guide cost-benefit analyses of controls. Understanding the organisation's nature and information systems allows auditors to identify and categorise risks more effectively. This understanding then informs the selection of the most suitable risk model for conducting the audit review.

Quantifying risk (Boritz 2005) risk assessment aims to quantify the riskiness associated with each auditable unit within an organization. This allows auditors to put all their efforts energy and focus on areas with the most significant potential for problems and risks. By allocating scarce audit resources effectively, they can ensure the most critical areas are thoroughly reviewed.

Internal audit and risk management in the 5th edition 2017 by Holloway and Turner highlights the integration of risk management and internal audit functions emphasizing risk assessment's role in designing and executing audit procedures. A guide to enterprise risk management 2nd edition 2019 by Fiekowsky explores various methodologies for conducting risk assessments emphasizing tailoring the approach to the specific organization and its risk profile. Risk assessment in accounting a frame for audit evidence 2011 by Peterson and Debreceeny explores the role of risk assessment in providing a framework for gathering audit evidence emphasizing the link between risk assessment and the selection of appropriate audit procedures.

Building a robust risk management program extends beyond simply identifying and mitigating threats like embedding risk management in the culture through fostering a culture of risk awareness and ownership across all levels of the organization. Leveraging technology like utilizing the technology solutions for data analytics to gain deeper insights into potential risks. Regular review and improvement through conducting periodic reviews of risk management framework to ensure its ongoing effectiveness.

2.6 Literature gap

While extensive research has been conducted on the effects of internal audit on financial performance of organizations, there is the cause-and-effect versus correlation where many studies show a positive correlation between strong internal audit and financial performance, it's not entirely clear if a strong internal audit process directly causes better financial performance and health or what if a financially healthy organization simply prioritizes good internal audit practices. The difference between cause and effect is very crucial and understanding it is very important.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter delved into the meticulous research methodology employed to navigate this study. It served the roadmap, meticulously outlining the research design, population and sample size, sources of data, data collection methods, data analysis techniques, presentations methods and definitions of key variables used to illuminate the research questions.

3.1 Research Design

A research design refers to a blueprint for conducting research study. It acts as a road map, outlining the overall strategy for collecting, analysing and interpreting data to answer various research questions. It serves as the foundation for any successful research endeavour. In today's dynamic world characterized by vast data availability and evolving methodologies research designs has become more crucial.it acts as a strategic road map guiding researchers in navigating the complexities of data collection, analysis and interpretation.

Adaptability and flexibility where modern research designs embrace flexibility to accommodate the ever-growing data landscape. Researchers can leverage mixed method approaches like combining quantitative and qualitative data collection techniques (Creswell & Plano Clark 2018). This allows for a more comprehensive understanding of the research problem by capturing both objective data (surveys, experiments) and subjective experiences like interviews, focus groups.

A cross-sectional study was conducted because researchers gather data once over a period of time like days, weeks in order to answer the research questions. The selection of this approach was based on a qualitative approach since it helped in exploring the effect of internal audit on the financial performance of organizations. Qualitative research was used to make analysis, recommendations and conclusions. Quantitative research design was also be used to collect and analyse numerical data like figures to answer research questions and then review financial statements.

3.2 Population study

The study focused on the population of JOBCONNECT LTD including the management and staff given the fact that it is the targeted case study. This makes the total population target of 98 people.

3.2.1 Sample size

The study targeted all the heads of department like the finance department, human resource department and procurement because all played a role in the internal audit and financial performance of the business. Out of the 98 employees, only 20 employees were assessed since they were available and easy to access since the operations of other employees are in diverse geographical locations.

3.2.2 Sampling Techniques

Simple random sampling was the main technique to be used where random employees were selected and questionnaires were administered to each.

3.3 Sources of Data

Data sources are the foundation for any research or analysis project that is to say understanding where information is going to be got from and also looking at its characteristics is crucial for drawing reliable conclusions. Data can either be from a primary source or secondary source.

3.3.1 Primary Sources

Primary data refers to data/ information you collect by yourself like you go the field of study and collect first-hand information. Primary data is first-hand information shall be attained from the staff for the first time using well-crafted questionnaires aimed at finding out The Effect of Internal Audit on Financial Performance of JOBCONNECT LTD, NAMANVE It offers the benefit of tailoring the data directly to your needs.

The **Permanent staff of JOBCONNECT LTD** were the main source of information here.

3.3.2 Secondary sources

Secondary data, refers to information collected by someone else for a different purpose. This data was obtained from the previous research studies on the topic of the effect of internal audit on financial performance of organizations. Previously carried out studies were reviewed.

3.4 Data collection methods

In this study, primary data is the raw data where an individual goes to field administers questionnaires and sets a date for them to be picked. This approach aimed to gather insights into employee satisfaction and identify areas for improvement within the company (Creswell, 2018).

In order to collect data efficiently from all JOBCONNECT LTD staff questionnaires were issued since they were very easy to fill in and provided minimal disruption of their day-to-day tasks and responsibilities since they were self-administered. (Zegwaard et al 2017). Questionnaires provided several advantages like time saving since employees could answer them at any time also gave a comprehensive picture by covering all employees and even gave room for anonymity in case of sensitive topics. To further enhance confidentiality and comfort between the participant and the research an approach of drop and pick later will be used. For this case paper-based versions were used to collect data since the sample size was small.

Primary data refers to first-hand information gathered from the staff using questionnaires since it easier to use than interviews where employees may fail to sufficiently answers questions asked promptly. It is used to assess the impact of internal audit on the financial performance of JOBCONNECT LTD, NAMANVE. The advantage of using primary data is the ability to tailor the information to specific needs. The permanent staff of JOBCONNECT LTD were the main source of this information.

Secondary data, on the other hand, is information collected by someone else for a different purpose. In this case, it will be obtained from previously collected data and research relating to the topic of study. the researcher used this information to identify any gaps in their research."

3.5 Data analysis and techniques

Data analysis for this study involved both quantitative and qualitative to carefully assess the effect of internal auditing on financial performance of organizations whereby quantitative data was analysed using statistical methods like regression analysis and correlation to identify relationships between the internal audit variables and financial performance metrics like profitability, liquidity. Time analyses were employed to assess the trends and patterns over a certain period of time and for qualitative information, questionnaires were issued to gain insights on internal audit and financial performance of the organization. This approach allowed for a more comprehensive understanding of the data that is to say the findings through providing

measurable evidence and qualitative insights in context and depth thus enabling organizations to enhance their internal audit procedures in order to secure a stronger and more stable financial future.

3.6 Ethical conduct and consideration

The surveys were carefully developed and designed to ensure that confidentiality is promoted that is to say the name of the respondent not mentioned so as to guarantee anonymity and open participation where individuals will be answer the questionnaires freely without being scared. the design of the questionnaire had a strong emphasis on data confidentiality and there was a clear description of the research aim and the importance of the respondent in the answering of the questionnaire and any expectations surrounded by their engagement. Direct approach was used where individuals were given an open space to answer the questions or not and this gives a sense of a trustworthy atmosphere where the participants were able to give their perspectives and by doing this, we gathred information that is reliable.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS

4.0 Introduction

This chapter provides the presentation, analysis and interpretations of findings and the findings are presented mainly in tabular form.

4.1 Response rate

98 questionnaires were supposed to be issued out to collect data for the study but due to the type of business carried out by JOBCONNECT LTD, only 20 questionnaires were issued instead

Table 1: Response Rate

| Item | Response | Frequency | Percentage |
|--------|--------------|-----------|------------|
| Gender | Response | 18 | 90% |
| | Non-response | 2 | 10% |
| | Total | 20 | 100 |

4.2 Social demographic characteristics of respondents

The study looked at the socio-demographic characteristics of respondents. The data attained was presented in the frequency, percentage and tabulation tables from which conclusions were drawn. The main purpose of the respondents' profile was to indicate their views towards the study. This profile is shown in Tables below:

Table 2: Gender of respondents

| Personal Characteristics | Response | Frequency | Percentage (%) |
|--------------------------|--------------|-----------|----------------|
| Gender | Male | 10 | 55.6% |
| | Female | 8 | 44.4% |
| | Total | 18 | 100 |

Source: Primary Data

The findings showed that out of 18 respondents, 55.6% are male, and 44.4% are female thus suggested that there was a slight male dominance in the sample which indicated a balanced gender representation thus suggested that both male and female perspectives are adequately reflected in the study's findings, contributing to a comprehensive understanding of internal audit's effect across gender lines.

Table 3: Age of respondents

| Personal Traits | Response | Frequency | Percentage |
|-----------------|--------------------|-----------|-------------|
| Age | 18-30 years | 5 | 27.8% |
| | 31-40 years | 7 | 38.9% |
| | 41-50 years | 4 | 22.2% |
| | 51 years and above | 2 | 11.1% |
| | Total | 18 | 100% |

Source: Primary Data

The age distribution of respondents indicated that the majority that is to say 38.9% of the respondents fell within the 31-40 years age bracket, followed by 27.8% of the respondents who fell in the 18-30 years bracket, and 22.2% of the respondents fell in the 41-50 years range whereas Only 11.1% of the respondents were aged 51 and above. This distribution suggested that the study captured vital information that are predominantly from mid-career professionals, who are likely to have substantial experience and relevant insights and information into the role of internal audit in the organizational financial performance.

Table 4: Education level of respondents

| Personal Characteristics | Response | Frequency | Percentage |
|--------------------------|-------------------|-----------|------------|
| Education level | Primary | 1 | 5.6% |
| | Secondary | 2 | 11.1% |
| | Certificate | 3 | 16.7% |
| | Diploma | 4 | 22.2% |
| | Bachelor's Degree | 5 | 27.8% |
| | Master's Degree | 3 | 16.7% |

| | | | |
|--|--------------|-----------|-------------|
| | Total | 18 | 100% |
|--|--------------|-----------|-------------|

Source: Primary Data

The educational background of respondents showed that 27.8% of the respondent hold a Bachelor’s degree, making it the most common qualification, followed by 22.2% of the respondents with a Diploma, and 16.7% each holding a Master’s degree or a Certificate and the remaining only 5.6% hold a primary level certificate, 11.1% hold a secondary level certificate thus this education profile shows the study group is well educated with a enough knowledge regarding the effect of internal audit practices on the financial performance of the organization. The bigger size of the population with advanced degrees like masters, PHDS offer a high level of expertise and knowledge is this particular study hence enhances the creditability of findings and information collected.

4.3 Study findings

The results from the findings in this table below were based on a 5 like scale of 1-5 where the ratings were based where 1 is Strongly disagree (SD), 2 is disagree (D), 3 is not sure (NS), 4 is agree (A) and 5 is Strongly agree (SA)

4.3.1 The Effect of Internal Audit on Financial Performance of Organizations.

Table 5: Responses on the Effect of Internal Audit on Financial Performance of Organizations.

| Statements | SD | D | NS | A | SA | Total |
|---|-----------|----------|-----------|----------|-----------|--------------|
| A robust internal audit function can help an outsourcing company identify and mitigate operational inefficiencies that could erode profitability. | 50 | 33 | 11 | 6 | 0 | 100 |
| By evaluating the effectiveness of internal controls over client | 44 | 39 | 11 | 6 | 0 | 100 |

| | | | | | | |
|---|----|----|----|----|----|-----|
| deliverables and service quality, internal audit can contribute to improved client satisfaction and potentially higher retention rates, leading to increased revenue streams. | | | | | | |
| Internal audit's role in ensuring compliance with relevant regulations and industry standards in Uganda can help outsourcing companies avoid costly penalties and reputational damage, safeguarding financial performance | 56 | 28 | 11 | 5 | 0 | 100 |
| A well-functioning internal audit function can identify potential fraud or financial mismanagement within the outsourcing company, protecting its assets and preventing financial losses. | 61 | 22 | 11 | 6 | 0 | 100 |
| The insights and recommendations provided by internal audit committee can be valuable tools for management in making informed decisions related to resource allocation, cost optimization, and overall financial planning, ultimately contributing to improved financial performance. | 0 | 5 | 10 | 40 | 45 | 100 |

Source primary data

The findings showed that 83% of respondents (50% of them strongly agree and the rest 33% agree) but believed that a strong and well-developed internal audit function can help identify

and mitigate operational inefficiencies that could affect the profitability of the organization. This indicated a strong agreement that internal audits are crucial in enhancing operational effectiveness and ensuring sustainable profitability.

A total of 83% of respondents whereby 44% strongly agree and 39% agree suggested that evaluating the effectiveness of internal controls contributed to improved client satisfaction and higher retention rates which led to increased revenue streams. This highlighted the importance of internal audit in ensuring service quality and client retention, which are vital for financial growth.

The findings in the study showed that 84% of respondents of whom 56% strongly agreed and 28% agreed believed that internal audit plays a crucial role in ensuring compliance with relevant regulations set by government for example URA which taxes are being paid by the organization hence safeguarding financial performance of the organization. This showed the importance of following regulatory standards and laws which have an immediate impact on the financial performance and stability of the organization.

The findings also showed that 83% of respondents of whom 61% strongly agreed and 22% of the respondents agreed that a well-functioning internal audit can identify potential fraud or financial mismanagement, protecting assets and preventing financial losses. This indicated that internal audit is seen as a critical tool for fraud prevention and financial safeguarding within organizations.

The findings indicated that 78% of respondents of whom 50% of them strongly agreed and 28% agreed and recognized the value of internal audit insights in aiding management with resource allocation, cost optimization, and overall financial planning. This suggested that internal audit is perceived as instrumental in enhancing the quality of financial decision-making processes.

4.3.2 The relationship between internal audit and financial performance of an organization.

Table 6: Responses on the relationship between internal audit and financial performance of an organization.

| Statements | SD | D | NS | A | SA | Total |
|---|-----------|----------|-----------|----------|-----------|--------------|
| A well-functioning internal audit function in an outsourcing company can identify and address control weaknesses that could lead to financial losses in outsourced processes. | 55 | 30 | 10 | 5 | 0 | 100 |
| Timely and effective audits can help outsourcing companies ensure their partners are adhering to agreed-upon quality standards and service level agreements (SLAs), potentially reducing rework and associated financial costs | 50 | 35 | 10 | 5 | 0 | 100 |
| Internal audit's role in assessing the financial health and risk management practices of potential outsourcing partners can contribute to selecting reliable partners, ultimately mitigating financial risks associated with outsourcing failures | 60 | 25 | 10 | 5 | 0 | 100 |

| | | | | | | |
|---|----|----|----|---|---|-----|
| By evaluating the efficiency and effectiveness of outsourced processes, internal audit can provide valuable insights for optimizing outsourcing arrangements and potentially reducing overall outsourcing costs, impacting financial performance. | 55 | 30 | 10 | 5 | 0 | 100 |
| A strong internal audit function fosters a culture of accountability within an outsourcing company, leading to improved financial controls and overall financial performance. | 58 | 32 | 5 | 5 | 0 | 100 |

Source primary data

According to the findings, 85% of respondents (or 55% who strongly agreed and 30% who agreed) think that an effective internal audit function can find and fix control flaws that could cause financial losses. This result highlighted the need of internal audits in upholding robust financial controls, which are necessary to stop financial degradation.

A total of 85% of respondents of whom 50% strongly agreed and 35% also agreed that timely and effective audits helped to ensure adherence to quality standards and service level agreements (SLAs), potentially reducing financial costs. This indicated a strong belief in the importance of internal audit in maintaining service quality, which in turn impacts financial performance.

The findings showed that 85% of respondents of which 60% of them strongly agreed and 25% agreed that internal audit’s role in assessing potential outsourcing partners' financial health and

risk management practices is crucial for mitigating financial risks. This highlighted the importance of internal audits in partner selection processes, which are critical to minimizing outsourcing-related financial risks that is to say in case someone with very bad credit score is selected.

According to the findings, 85% of respondents (or 55% who strongly agree and 30% who agree) think internal audits offer insightful information that may be used to optimise outsourcing agreements and possibly lower overall outsourcing costs. This result emphasised how strategically important internal audit are to reducing outsourced costs and improving financial performance.

A noteworthy 90% of participants (of whom 32% strongly agree and 58% agree) concurred that a robust internal audit function cultivates an accountability culture, which in turn enhances financial controls and overall financial performance. This showed that internal audits are widely accepted as being essential to improving financial governance and encouraging accountability in businesses.

Correlation On the relationship between internal audit and financial performance of an organization.

The table below presented the correlation between internal audit and financial performance of an organization.

Table 7: Correlation on the relationship between internal audit and financial performance of an organization.

Correlation table of internal audit and financial performance

| Variables | Identification of Control Weaknesses | Adherence to Quality Standards | Risk Management Practices | Efficiency and Cost Reduction |
|--------------------------------------|--------------------------------------|--------------------------------|---------------------------|-------------------------------|
| Identification of Control Weaknesses | 1.000 | 0.812 | 0.754 | 0.689 |
| Adherence to Quality Standards | 0.812 | 1.000 | 0.799 | 0.778 |

| | | | | |
|---------------------------------------|-------|-------|-------|-------|
| Risk Management Practices | 0.754 | 0.799 | 1.000 | 0.820 |
| Efficiency and Cost Reduction | 0.689 | 0.778 | 0.820 | 1.000 |
| Accountability and Financial Controls | 0.845 | 0.803 | 0.769 | 0.754 |

The correlation between finding control weaknesses and managing financial controls was 0.845 which indicated a strong positive relationship. A strong internal audit function effectively identifies control weaknesses. This led to stronger financial controls and better accountability within the organization.

Quality standards and risk management practices have no correlation hence 0.799, showed a strong positive correlation. Effective internal audits that ensure quality standards also boost strong risk management practices.

The link between efficiency and cost-cutting with risk management practices is 0.820 hence highlighted a strong positive relationship. Internal audits improved outsourcing and cut costs and also boosted the organization's risk management practices.

All the variables are strongly correlated with each other. The coefficients range from 0.689 to 1.000. All aspects of internal audit are connected and together help improve the organization's financial performance.

4.3.3 The effect of monitoring and control activities on financial performance of organization.

Table 8: Responses on effect of monitoring and control activities on financial performance of the organization.

| Statements | SD | D | NS | A | SA | Total |
|------------|----|---|----|---|----|-------|
|------------|----|---|----|---|----|-------|

| | | | | | | |
|---|----|----|----|---|---|-----|
| The effectiveness of monitoring and control activities over outsourced processes directly impacts the financial performance of the outsourcing company. | 53 | 30 | 12 | 5 | 0 | 100 |
| Regular monitoring of key performance indicators (KPIs) for outsourced services allows for early identification of performance issues and timely corrective actions, potentially minimizing financial losses. | 57 | 29 | 9 | 5 | 0 | 100 |
| Robust controls over payments to outsourcing partners ensure the accuracy and appropriateness of payments, preventing financial waste and safeguarding financial performance. | 52 | 33 | 10 | 5 | 0 | 100 |
| Implementing strong change management processes for outsourced services helps mitigate risks associated with service disruptions or transitions, minimizing financial impact on the outsourcing company. | 55 | 30 | 10 | 5 | 0 | 100 |
| Continuous monitoring of the quality of deliverables from | 60 | 28 | 7 | 5 | 0 | 100 |

| | | | | | | |
|--|--|--|--|--|--|--|
| outsourced partners helps ensure value for money and prevents potential rework or service re-delivery, ultimately impacting financial performance positively | | | | | | |
|--|--|--|--|--|--|--|

Source primary data

The results showed that 83% of respondents (of whom 53% strongly agree and 30% agree) think that the company's financial success is directly impacted by efficient monitoring and control operations. This implied a strong conviction that oversight is essential to achieving financial success.

86% of respondents overall—29% agree, 57% strongly agree—believe that routinely monitoring key performance indicators (KPIs) enabled early problem identification and minimised financial losses. This result emphasised how crucial ongoing observation is to proactively managing possible financial threats.

According to the findings, 85% of respondents—52% strongly agree and 33% agree—think that strict payment controls guarantee accuracy, stop financial waste, and protect financial performance. This emphasised how important it is to have strict payment procedures in place to safeguard organisational funds.

According to the results, 85% of respondents—of whom 55% strongly agree and 30% agree—think that putting in place effective change management procedures can reduce risks and their financial impact. This implied that preserving financial stability throughout transitions is viewed as critically dependent on successful change management.

A resounding 88% of respondents (60% strongly agree, 28% agree) concur that ongoing delivery quality monitoring guarantees value for money, which has a favourable effect on financial performance. This emphasised how important quality control is to maintaining financial stability.

4.3.4 The effect of risk management on financial performance of organization.

Table 7: Responses on effect of risk management on financial performance of organization.

| Statements | SD | D | NS | A | SA | Total |
|--|----|----|----|---|----|-------|
| A well-defined risk management framework in an outsourcing company helps identify and mitigate potential risks associated with outsourcing partnerships, leading to improved financial performance. | 58 | 32 | 5 | 5 | 0 | 100 |
| Proactive risk management strategies can help outsourcing companies minimize disruptions to core business operations caused by outsourcing failures, safeguarding financial stability. | 55 | 35 | 5 | 5 | 0 | 100 |
| Effective risk management practices can help outsourcing companies identify opportunities to negotiate more favourable contract terms with outsourcing partners, potentially reducing overall outsourcing costs and enhancing financial performance. | 57 | 33 | 5 | 5 | 0 | 100 |

| | | | | | | |
|--|----|----|---|---|---|-----|
| By implementing robust risk management controls over data security and privacy within outsourced processes, outsourcing companies can minimize the financial impact of data breaches or compliance failures. | 60 | 30 | 5 | 5 | 0 | 100 |
| Risk management strategies that focus on building strong business continuity plans can help outsourcing companies minimize financial losses associated with unexpected disruptions or service outages from outsourcing partners. | 62 | 28 | 5 | 5 | 0 | 100 |

Source primary data

According to the findings, 90% of respondents—58% strongly agree and 32% agree—think that having a clear risk management framework reduces risks and boosts financial performance. This indicated that there is broad agreement regarding the significance of risk management frameworks in safeguarding the financial stability of organisations.

90% of respondents (or 55% who strongly agree and 35% who agree) to the findings agreed that proactive risk management techniques reduce disruptions and protect financial stability. This highlighted how important proactive risk management is to maintaining the organization's financial stability.

According to the results, 90% of respondents (57 percent strongly agree, 33 percent agree) think that better contract terms, lower outsourcing costs, and improved financial performance can result from efficient risk management. This emphasised how crucial risk management in cost cutting and financial optimisation.

90% of respondents, 60% strongly agreeing and 30% agreeing, according to the statistics, feel that having effective risk management controls over data security which reduced the financial impact of breaches. The study showed how important data security is to safeguarding financial resources.

A resounding 90% of participants (62% strongly agree, 28% agree) concur that having effective business continuity strategies reduces financial losses that may occur from disruptions. This implied that there is agreement regarding the significance of continuity planning for protecting financial performance.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of findings, conclusions and recommendations. The summary is per the findings in each chapter and then recommendations are derived.

5.2 Summary Findings

The summary of findings of the study is presented in line with the objectives as follows:

5.2.1 The effect of internal audit on financial performance of organizations.

The findings from the study show a strong agreement among respondents that internal audit plays a vital role in improving the financial performance of the organization whereby 83% of the respondents believe that a strong and well-developed internal audit function are very essential for identifying and eliminating operational inefficiencies, any discrepancies and ensuring long term profitability. In another view 83% of the respondents agree that by assessing the efficiency of internal controls and creating new revenue streams, internal audit enhance customer satisfaction and retention. In addition, 84% of the respondents agree that internal audits play a vital role in regulatory compliance because they protect financial stability by ensuring the relevant rules and regulations are followed. Additionally, according to 83% of the respondents plays a very important role in detecting fraud through closely examining financial statements to identify any discrepancies and also safeguarding the assets of the organization from misuse. Lastly 78% of the respondents agree that it's very important to make strategic decisions of the organization basing on internal audit insights that clearly show how resources are allocated and how to minimize costs. These findings highlight the importance internal audit plays in boosting operational performance, regulatory compliance, fraud prevention and strategic decision making which is very essential for financial stability and expansion of the organization.

5.2.2 The relationship between internal audit and financial performance of an organization.

The study's conclusions show how closely internal audit operations and an organization's financial success are related. Strong financial controls are maintained by internal audits, as evidenced by the large majority of respondents (85%) who feel that efficient internal audits are crucial for

locating and fixing control flaws that could cause financial losses. Furthermore, 85% concur that prompt and efficient audits are essential to guaranteeing compliance with SLAs and quality standards, which lowers expenses while maintaining service quality. A further focus on the value of internal audits in risk management comes from the fact that, according to 85% of respondents, evaluating the risk management and financial stability of prospective outsourcing partners is essential to reducing financial risks. Additionally, 85% of respondents acknowledge that internal audits play a vital role in outsourcing arrangement optimisation, which lowers costs and improves financial performance. Lastly, a resounding 90% of participants concur that having a strong internal audit role promotes accountability, greatly enhancing financial controls and financial governance in general. Taken together, these results show that internal audits are essential for averting financial losses and serve a tactical purpose in encouraging responsibility, cutting expenses, and guaranteeing the stability of an organization's finances.

5.2.3 The effect of monitoring and control activities on the organization's financial performance.

The results highlighted how important monitoring and control operations are to an organization's financial performance. A significant proportion of participants (83%) hold the view that proficient monitoring and control measures are imperative for guaranteeing financial prosperity, underscoring their significance in preserving financial steadiness. Additionally, 86% of respondents concur that routinely checking key performance indicators (KPIs) is necessary for early problem detection, which reduces financial losses. This result emphasised how important ongoing monitoring is in reducing possible financial problems before they become more serious. Furthermore, according to the research, 85% of respondents acknowledge that strong payment controls are essential for protecting financial resources by guaranteeing accuracy and averting financial waste. Furthermore, according to 85% of respondents, efficient change management procedures are essential for reducing risks during transitions, which supported preserving financial stability. Lastly, 88% of respondents concur that maintaining constant oversight of the quality of deliverables is essential to guaranteeing value for money and enhancing financial performance. When taken as a whole, these results showed how important it is to have robust monitoring and control procedures in place to protect financial resources, improve operational effectiveness, and guarantee an organization's overall financial stability.

5.2.4 The effect of risk management on the financial performance of the organization.

The findings showed there is a general agreement about the role of risk management in enhancing, improving and safeguarding financial performance whereby 90% of the respondents agree that a clear risk management framework is very vital for identifying and mitigating risks and this improved financial performance highlighting a strong need for the necessity of structured risk management profile for financial stability of organizations. Also 90% of the respondents believe that there should risk management strategies are very vital for reducing disruptions in day-to-day activities and safeguarding financial stability hence highlighting the importance of forward-thinking risk management procedures in maintaining the continuous financial stability and health of the organization. Additionally, the data shows that better and effective risk management increases bargaining power thus more favourable contract terms as 90% of the respondents that this helps to lower the outsourcing costs hence improving financial performance thus shedding more light on the strategic role of risk management in financial optimization. Furthermore, 90% of the respondents note the vital role that data security in safeguarding financial resources by acknowledging the value of strong and efficient risk management controls over data security in reducing the financial effect of breach then lastly 90% of the respondents are on the view that a business should have effective and strong continuity plans in order to minimize financial losses during disruptions highlighting the significant role of having a comprehensive risk management in ensuring financial growth and resilience.

5.3 Conclusion

The study highlighted the importance of internal audit, risk management and monitoring and control procedures and processes to improving financial performance of an organization that is to say financial stability and health is improved by identification of operational inefficiencies, discrepancies, failure to comply with the law and regulations standards set, detection of fraud all this can be prevented by a robust internal audit function that constantly checks on the internal controls to see if they working and functioning well to achieve the desired goals and objectives (85%). Effective monitoring especially on the KPIs and payment controls is very vital for early identification of risks and safeguarding financial resources (83%-88%). A well-defined and developed risk management framework and strategic decisions are very important to reduce disruptions, secure favourable contract terms and protecting data security hence enhancing financial outcomes (90%). The study looked at strong internal controls, continuous monitoring to check on the processes and comprehensive risk management are very important for financial

success hence supporting the organization's overall stability and growth. (Osei-Bonsu 2023; Mihret & Grant 2020; Nguyen & Rahman 2021). The agreement among respondents reflects a deep understanding of these elements strategic importance in sustaining financial health across various operational dimensions.

5.4 Recommendations

Senior management should prioritise establishing and maintaining a strong and well-developed internal audit function to enhance operational efficiency and financial stability whereby management can identify and promptly address potential risks that could arise, fraud from particular individuals, and inefficiencies by investing in continuous training to equip employees with the necessary skills and resources for the internal audit team to efficiently carry out their tasks and responsibilities.

Management should foster a culture of transparency and accountability, where audit findings are clearly communicated to the staff and top management such that they are taken seriously and used to inform on strategic decisions that can ensure that the organisation remains compliant with regulations and for better financial growth and performance.

Internal auditors should adopt a proactive approach to risk management by regularly assessing and updating the organisation's risk profile through carrying continuous studies and research to investigate more risks that could arise and this is done through continuously monitoring key performance indicators (KPIs) for example customer satisfaction, employee turnover rate and revenue streams and the effectiveness of internal controls to see if they are in place and working to achieve the desired goals and objectives of an organization. Auditors should use advanced technology that can track any inefficiencies and improved data analytics processes to carefully identify potential areas of fraud or any discrepancies more efficiently and by doing so, internal auditors can provide better insights that safeguard financial resources and improving the decision-making process thus improving the financial success of a company.

Regulatory bodies should emphasise the importance of internal audits in ensuring organisational compliance and financial stability by setting stringent audit standards and guidelines. They should also provide training and support to organizations, especially in emerging markets, to help them establish effective internal audit functions. Regulatory bodies should also ensure transparency and accountability where findings from the audit processes are clearly communicated to various

stakeholders like the shareholders who look at profits, customers and employees of the organization then accountability looks at who is responsible for what that is to say it shows who performs what, who is in charge of what and this promotes robust governance practices and lower the risk of financial management of resources hence stability.

Investors should give priority to organizations with well-defined risk management frameworks and strong internal audit functions before deciding on investing in those organizations that is to say investors should closely look and pay attention so as to make safer investment decisions that are more likely to generate long term profits that is to say they look build relationships with management of the companies to ascertain their commitment to strict financial governance guidelines hence reducing the likelihood of risks of fraud, inefficiencies and non-compliance companies thus better decision making.

Employees should carefully follow the set guidelines, regulations and [promptly reporting any errors that can arise on time. Staff members should actively be involved in the internal audit processes and risk management processes such that they can feel part of the company and this increases their morale to perform their tasks and responsibilities and all this is done through training, attending workshops, seminars which exposes them hence comprehending their roles in preserving organizational stability. Employees that are knowledgeable ensure that internal controls in place can work sufficiently hence an organization can adopt quickly to new risks and difficulties.

5.6 Areas of further research

Research could also investigate the role of internal audits during periods of financial or operational crisis, such as economic downturns like unemployment where individuals have no jobs, inflation which increases price fluctuations, reduced consumer spending where individuals have low purchasing power or organisational restructuring where top management is changed or the whole organization takes up more changes. This study will focus on how internal audit departments can spot weaknesses and make sure emergency procedures are followed in order to mitigate those risks and also cross check on how recommendations made by the committee can stabilize financial performance in any circumstance.

Later studies should attempt to investigate how the new emerging technologies like artificial intelligence and data analytics methods improve and enhance the efficiency of internal audits that is to say how ai can used to detect fraud and identify risks that could harm the organization. AI can

used in different ways to improve the internal controls of an organization thus better financial performance and stability hence better decision making, planning and better resource allocation.

An area for potential study is the effect organizational culture on the effectiveness of internal audit procedures where internal audit practices are used explore how different cultural factors, such as leadership style, communication openness, and employee engagement, impact the implementation and outcomes of internal audits findings. Openness encourages easy communication among employees where there is free sharing of ideas, employee engagement whereby they are involved in key decision-making processes thus making them feel part of the company thus gaining an understanding of these dynamics can help organisations get a better understanding on how to improve compliance, risk management and better financial health.

Further research should offer comparisons with different industries in terms of specific challenges that harm their operations, laws, operational risks that affect the efficiency thus the study will examine how industry-specific risks, regulations, and operational complexities influence the role and effectiveness of internal audits and by comparing sectors such as finance, healthcare, and manufacturing, this research could identify unique challenges and successful strategies within each industry hence the findings would offer industry-specific insights to help organisations tailor their internal audit functions to better meet their financial and operational needs.

Organizations should carefully look at the long-term survival where they should give close attention on how internal audit activities affect the expansion and sustainability of organizations. The main purpose of this study is to investigate the effects of implementing consistent internal audit practices financial performance, risk management and strategic decision making within the organization over a extended period of time but it will give more light on the various advantages of having a robust internal audit function which promotes steady growth and resilience thus empowering organizations to be in a better position to understand the long term return on investment in internal audit activities.

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Appendix 1

QUESTIONNAIRE

Dear respondent,

My name is **HILLARY JAMES SENTONGO**, a student of Uganda Christian University, Mukono, with registration number S21B33/005, pursuing a Bachelor of Science in Accounting and Finance. I am currently conducting a study entitled “**The Effect of Internal Audit on the Financial Performance of Organizations in Uganda: A Case Study of JOBCONNECT LTD NAMANVE MUKONO DISTRICT**”. This research is strictly for academic purposes, and all provided information will be handled with the utmost confidentiality.

Your insights are invaluable! This study aims to shed light on the crucial relationship between internal audit and financial performance in Ugandan outsourcing companies. Your participation is instrumental in helping us understand these dynamics and ultimately contribute to the success of the outsourcing industry in Uganda.

SECTION A: GENERAL INFORMATION

Instructions;

1. Do not write your name anywhere on this paper.
2. Tick only where applicable.

1. Age:

- a) Under 20 b) 20 - 30 c) 31 - 40
d) 41 - 50 d) Over 50

2. Gender:

- a) Male b) Female

3. Educational Qualification:

a) High school or below

b) Bachelor's Degree

c) Master's Degree

d) PhD or higher

4. Duration worked for JOBCONNECT LTD NAMANVE

a) Less than 1 year

b) 1-3 years

c) 3-6 years

c) 6-10 years

d) More than 10 years

SECTION B: THE EFFECT OF INTERNAL AUDIT ON FINANCIAL PERFORMANCE OF ORGANIZATIONS IN UGANDA

These statements examine the effect of internal audit on financial performance of organization in Uganda. On a scale of 1-5, please indicate the extent to which your opinion aligns with the statements provided.

| Scale | 1 | 2 | 3 | 4 | 5 |
|-----------------------|-------------------|----------|---------|-------|----------------|
| Interpretation | Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree |

| | Statements | 1 | 2 | 3 | 4 | 5 |
|----|--|---|---|---|---|---|
| a) | A robust internal audit function can help an outsourcing company identify and mitigate operational inefficiencies that could erode profitability. | | | | | |
| b) | By evaluating the effectiveness of internal controls over client deliverables and service quality, internal audit can contribute to improved client satisfaction and potentially higher retention rates, leading to increased revenue streams. | | | | | |
| c) | Internal audit's role in ensuring compliance with relevant regulations and industry standards in Uganda can help outsourcing companies avoid costly penalties and reputational damage, safeguarding financial performance | | | | | |
| d) | A well-functioning internal audit function can identify potential fraud or financial mismanagement within the outsourcing company, protecting its assets and preventing financial losses. | | | | | |

| | | | | | | |
|----|---|--|--|--|--|--|
| e) | The insights and recommendations provided by internal audit can be valuable tools for management in making informed decisions related to resource allocation, cost optimization, and overall financial planning, ultimately contributing to improved financial performance. | | | | | |
|----|---|--|--|--|--|--|

SECTION C: THE RELATIONSHIP BETWEEN INTERNAL AUDIT AND FINANCIAL PERFORMANCE OF ORGANIZATIONS

These statements evaluate how the relationship between internal audit and financial performance affect organizations in Uganda. On a scale of 1-5, please indicate the extent to which your opinion aligns with the statements provided

| | | | | | |
|-----------------------|-------------------|----------|---------|-------|----------------|
| Scale | 1 | 2 | 3 | 4 | 5 |
| Interpretation | Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree |

| | Statements | 1 | 2 | 3 | 4 | 5 |
|----|---|----------|----------|----------|----------|----------|
| a) | A well-functioning internal audit function in an outsourcing company can identify and address control weaknesses that could lead to financial losses in outsourced processes. | | | | | |
| b) | Timely and effective audits can help outsourcing companies ensure their partners are adhering to agreed-upon quality standards and service level agreements (SLAs), potentially reducing rework and associated financial costs | | | | | |
| c) | Internal audit's role in assessing the financial health and risk management practices of potential outsourcing partners can contribute to selecting reliable partners, ultimately mitigating financial risks associated with outsourcing failures | | | | | |
| d) | By evaluating the efficiency and effectiveness of outsourced processes, internal audit can provide valuable insights for optimizing outsourcing | | | | | |

| | | | | | | |
|----|---|--|--|--|--|--|
| | arrangements and potentially reducing overall outsourcing costs, impacting financial performance. | | | | | |
| e) | A strong internal audit function fosters a culture of accountability within an outsourcing company, leading to improved financial controls and overall financial performance. | | | | | |

SECTION D: THE EFFECT OF MONITORING AND CONTROL ACTIVITIES ON THE FINANCIAL PERFORMANCE IN ORGANIZATIONS

These statements assess the effect of monitoring and control activities and financial performance in organizations. On a scale of 1-5, please indicate the extent to which your opinion aligns with the statements provided

| | | | | | |
|-----------------------|-------------------|----------|---------|-------|----------------|
| Scale | 1 | 2 | 3 | 4 | 5 |
| Interpretation | Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree |

| | Statement | 1 | 2 | 3 | 4 | 5 |
|----|---|----------|----------|----------|----------|----------|
| a) | The effectiveness of monitoring and control activities over outsourced processes directly impacts the financial performance of the outsourcing company. | | | | | |
| b) | Regular monitoring of key performance indicators (KPIs) for outsourced services allows for early identification of performance issues and timely corrective actions, potentially minimizing financial losses. | | | | | |
| c) | Robust controls over payments to outsourcing partners ensure the accuracy and appropriateness of payments, preventing financial waste and safeguarding financial performance. | | | | | |
| d) | Implementing strong change management processes for outsourced services helps mitigate risks associated with service disruptions or transitions, minimizing financial impact on the outsourcing company. | | | | | |

| | | | | | | |
|----|--|--|--|--|--|--|
| e) | Continuous monitoring of the quality of deliverables from outsourced partners helps ensure value for money and prevents potential rework or service re-delivery, ultimately impacting financial performance positively | | | | | |
|----|--|--|--|--|--|--|

SECTION E: THE EFFECT OF RISK MANAGEMENT ON FINANCIAL PERFORMANCE IN ORGANIZATIONS

On a scale of 1-5, please indicate the extent to which your opinion aligns with the statements provided. These statements examine the effect of risk management on financial performance in organizations in Uganda

| | | | | | |
|-----------------------|-------------------|----------|---------|-------|----------------|
| Scale | 1 | 2 | 3 | 4 | 5 |
| Interpretation | Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree |

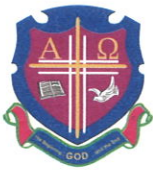
| | Statement | 1 | 2 | 3 | 4 | 5 |
|----|--|----------|----------|----------|----------|----------|
| a) | A well-defined risk management framework in an outsourcing company helps identify and mitigate potential risks associated with outsourcing partnerships, leading to improved financial performance. | | | | | |
| b) | Proactive risk management strategies can help outsourcing companies minimize disruptions to core business operations caused by outsourcing failures, safeguarding financial stability. | | | | | |
| c) | Effective risk management practices can help outsourcing companies identify opportunities to negotiate more favourable contract terms with outsourcing partners, potentially reducing overall outsourcing costs and enhancing financial performance. | | | | | |
| d) | By implementing robust risk management controls over data security and privacy within outsourced processes, outsourcing companies can minimize the financial impact of data breaches or compliance failures. | | | | | |

| | | | | | | |
|----|---|--|--|--|--|--|
| e) | Risk management strategies that focus on building strong business continuity plans can help outsourcing companies minimize financial losses associated with unexpected disruptions or service outages from outsourcing partners | | | | | |
|----|---|--|--|--|--|--|

“Thank you for your Response and cooperation.”

Appendix 2

DATA COLLECTION LETTERS



UGANDA CHRISTIAN UNIVERSITY

A Centre of Excellence in the Heart of Africa

SCHOOL OF BUSINESS

27th Aug, 2024

TO WHOM IT MAY CONCERN

Name: **SENTONGO HILARY JAMES**

Reg. **S21B33/005**

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

The Effects of Internal Audit on Financial Performance of Organizations . A case study of Jobconeect Ltd

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

The Uganda Christian University School of Business thanks you in advance

.....
Mukisa Simon Peter
Research coordinator



A Centre of Excellence in the Heart of Africa

Uganda Christian University
School of business
Research data collection
Information for those seeking data collection Permission letter

Name SENTONGO HIGARY JAMES Registration No. S21B33/005

Program BSAF

Topic

THE EFFECT OF INTERNAL AUDIT ON FINANCIAL PERFORMANCE
OF ORGANIZATIONS

Agency from which you're seeking permission to collect data

JOBCONNECT LTD

Addressee

Full address of addressee

This is to certify that the student named above is currently under my supervision. The student has satisfactorily completed the research proposal and developed the necessary tools for data collection. Therefore, I recommend that the student be issued a permission-seeking letter to proceed with data collection.

Signed [Signature]
Academic supervisor