

**EXTERNAL AUDITING AND THE FINANCIAL PERFORMANCE OF
MARIANUM PRESS LIMITED, KISUBI**

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Abstract: The study aimed at external auditing and the financial performance of

Marianum press limited, Kisubi and it was guided by the following objectives; to determine the effect of verification of accounting data and financial performance of organization in Kisubi, to determine whether or not external auditors exercise professional ethics and competences while auditing organizations in Kisubi and to ascertain the effect of internal control on the performance of organizations in Kisubi. However, upon comparing the Jarque-Bera value (0.9) with the significance level (0.05), we reject the null hypothesis and conclude that the disturbance terms are not normally distributed since 0.9 is greater than 0.05. According to the findings, the research study establishes that the effectiveness of verification of accounting data on accountability of a Marianum Press limited ensures avoidance of manipulation of accounts, ensures proper valuation of public assets, enhances proper recording and valuation of assets, ensures arithmetic accuracy of accounts, detection of frauds and errors in the transactions and it exhibits a true and fair view of the state of affairs of a Marianum Press limited. It is evident that as much as internal auditing exists in Marianum Press limited, it is inadequate and inefficient in management of accountability and improvement of performance. This therefore calls for a stronger and effective auditing genre (External auditing or statutory auditing) to help the Marianum Press limited improve on Accountability, Quality service delivery and Economic efficiency alias Performance of the Marianum Press limited appropriately.

Key words: external auditing and financial performance

Background to the study

According to Kumar and Mohan (2016), the term audit is gotten from the Latin expression audile," which is to listen. In early days, an inspector used to listen to the records read over by a bookkeeper keeping in mind the end goal to check them. Auditing is as old as bookkeeping. It has been applied

in all antiquated nations, and the first target of reviewing books was to distinguish and counteract blunders and fake entries. According to Furnham and Gunter, (2015), auditing developed and became quickly after the modern upset in the eighteenth century with the development of the business entities the possession and administration have to be independent. The shareholders who were the proprietors required a report from an autonomous master on the records of the organization overall performance by the top management. The target of such review moved and review was required to find out whether the records were valid and reasonable as opposed to just identification of mistakes.

Due to robust incentives (including taxation, misreporting and other forms of fraud) to misstate financial information, auditing has become a legal requirement for many entities who have the power to exploit financial information for personal gain. Traditionally, audits were mainly associated with gaining information about financial systems and the financial records of a company or a business. Due to constraints, an audit seeks to provide only reasonable assurance that the statements are free from material error. Hence, statistical sampling is often adopted in audits. In the case of financial audits, a set of financial statements are said to be true and fair when they are free of material misstatements – a concept influenced by both quantitative (numerical) and qualitative factors. But recently, the argument that auditing should go beyond just true and fair is gaining momentum (McKenna, 2011).

Derek (2006) explicates that auditing today is clearly the most controversial aspect of the accountant's work. The collapse of Enron, and WorldCom, together with their auditors, Arthur Andersen, has put the spotlight in the past few years firmly on the company audit.

Statement of the problem

The demand for the external auditing in the present economic environment exist in the communication of financial information to the various interested stakeholders. The external auditor's major concern is risk management since any risk capable of adversely affecting the firm has potential to impact the results reported in the financial statements. Audit planning and conduct (Knechel, Salterio & Ballou, 2007).

There is a wide spread of criticism of the work done by the external auditors mainly due to their

failure to perform the expected responsibilities or execute them to the anticipated standards. Auditors have been accused of conducting poor quality audit due to lack of professional competences and independence, failure to dedicate enough time and comply with capable standards and regulations. Many reports have emerged on loss of confidence in work done by external auditors which result in a decline of society's confidence in the audit profession in its entirety by implication the function of audit (Porter and Gowthorpe, 2004). These negative views have resulted from a discrepancy between the expectations they have about audit work and what it perceives they deliver to otherwise referred to as "audit expectation performance gap" (Porter Baskerville & Horgartaigh, 2012).

Objectives of the study

In order to achieve this objective the following specific objectives are designed in that direction.

1. To determine the effect of verification of accounting data and financial performance of organization in Kisubi.
2. To determine whether or not external auditors exercise professional ethics and competences while auditing organizations in Kisubi.
3. To ascertain the effect of internal control on the performance of organizations in Kisubi.

Research questions

The following are the research questions designed to achieve this objective;

1. What is the effect of verification of accounting data on the financial performance of organizations in Kisubi?
2. Do the external auditors act professionally and competently when auditing organizations in Kisubi?
3. To what extent has internal control system affected the financial performance of organizations in Kisubi?

Methodology

Research Design

A research design is a strategy for conducting the research that specifies the procedures necessary to obtain the information needed to structure and solve the research problems (Cooper and Schindler, 2003). The descriptive design was adopted, which aimed at examining the impact of external auditing on the financial performance of organizations in Uganda. The descriptive research design refers to the systematic process of gathering descriptions of existing phenomena in order to describe or explain what is going on (Ololube, 2009).

Study Population

The study population will concentrate on accountants, auditors, Managers and employees in Marianum press limited. According to the human resource records these include 20 participants. The study area was limited to this one organization in Kisubi since the majority of the organizations are established in urban areas.

Sample size determination

Twenty (20) respondents were inclusive of the sample.

Slovene's formula was used in the sampling of the population.

- is used to calculate the sample size (n) given the population size (N) and a correlation coefficient or margin of error (e).

- It's a random sampling technique formula to estimate sampling size

-It is computed as

$$n = N / (1 + Ne^2).$$

Whereas:

n = no. of samples/sample size

N = total population

e = margin of error or correlation coefficient (0.05)

$$n = \frac{20}{1 + 20(0.05)^2}$$

$$N = \frac{20}{1.05}$$

Therefore, a sample of 19 respondents was selected to participate in the study

Table 1: Showing the sample of respondents to be selected under the study

category	Population	sample	Sampling technique
accountants	10	9	purposive
auditors	6	6	purposive
managers	4	4	purposive
Total	20	19	

Source: Human Resource Work

Sampling Techniques and Procedures

The study employed both probability and non-probability sampling techniques. The researcher used the probability sample since the research is focused on the entire organization's population.

Employees employed in Marianum press limited in Kisubi was eligible to participate in the study.

The probability sampling approach involved selecting a sample in such a way that all the elements in the population have same chances of being selected (Amin, 2005). The simple random sampling technique was also used such that all population elements are accorded a proportionate likelihood of being nominated within the sample.

Data Collection Methods

Both quantitative and qualitative methods of data collection was employed during the study. The questionnaire survey method was used to pool quantitative statistics, while the interview and documentary review method was employed to gather qualitative information. The researcher will choose a data collection method that was better suited the intended purposes.

Questionnaire Survey Method

The questionnaire survey method is a set of questions used to obtain information from a large group of people in a given study (Amin, 2005). The questionnaire is an effective method of data collection due to the following advantages: it is standardized since the same wording is used each time it's administered; it ensures confidentiality through use of a coding system. Thus it can cover embarrassing, socially undesirable or illegal topics; it is cheaper to administer among others (Barker et al., 2002). The method was used to collect data from middle-level staff and other lower level staff within the organization because they are directly involved in the operations of the organization.

Data Analysis

This is the process of bringing order, structure, and meaning to the mass of raw information gathered for purposes of getting a feel for reliability and testing the research questions (Sekaran, 2004). Initially, data was entered into MS Excel computer program for cleaning. The data was also imported to SPSS version 23 statistical software for investigation. Quantitative data analysis entailed descriptive statistics and inferential statistics. Descriptive statistics will involve analysis using frequencies, percentages, mean, charts, and standard deviation. The Analysis of central tendency and dispersion based on; a 5-point Likert scale ranging from strong agree to strong disagree. Similarly, inferential statistics was done based on the Pearson's correlation coefficient and linear regression analysis.

RESULTS

GENERAL FINDINGS ON DEMOGRAPHICS OF RESPONDENTS

This section is a presentation of demographics of respondents including gender, age, working experience and the highest level of qualification.

Table 2: Response on Gender of respondents in Marianum Press Limited

Gender	Frequency	Percentage (%)
Male	15	79
Female	4	21
Total	19	100

Data source: Primary data.

The table 2 and figure 1 illustrates the gender of respondents in the study where 79% and 21% with frequencies of 15 and 4 represents the male and female respectively. This is further illustrated in the bar graph shown below

Figure 1: Graphical illustration of gender of respondents.

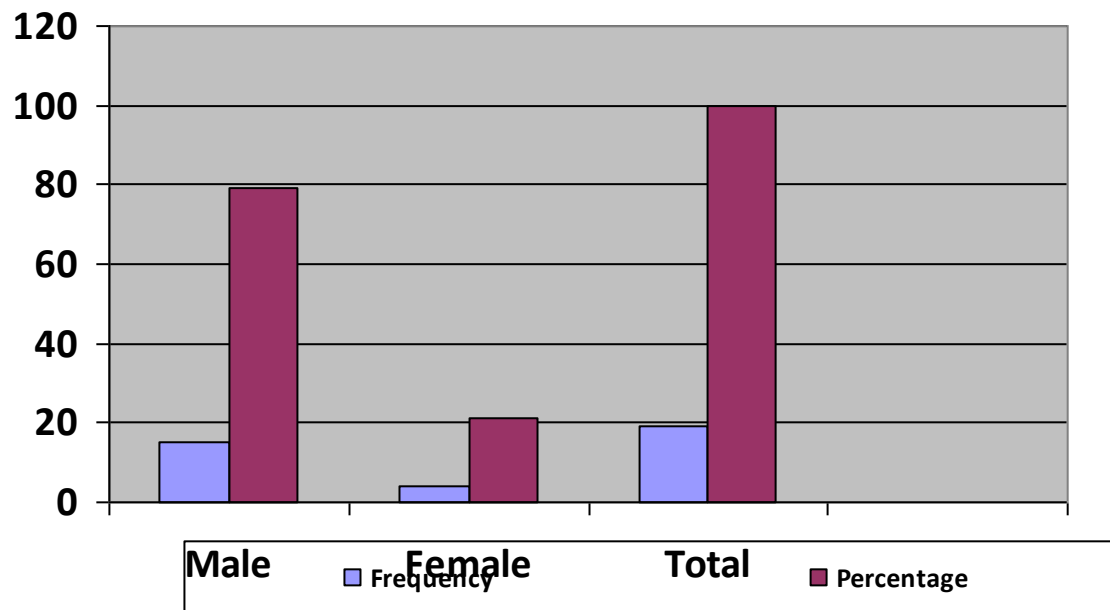
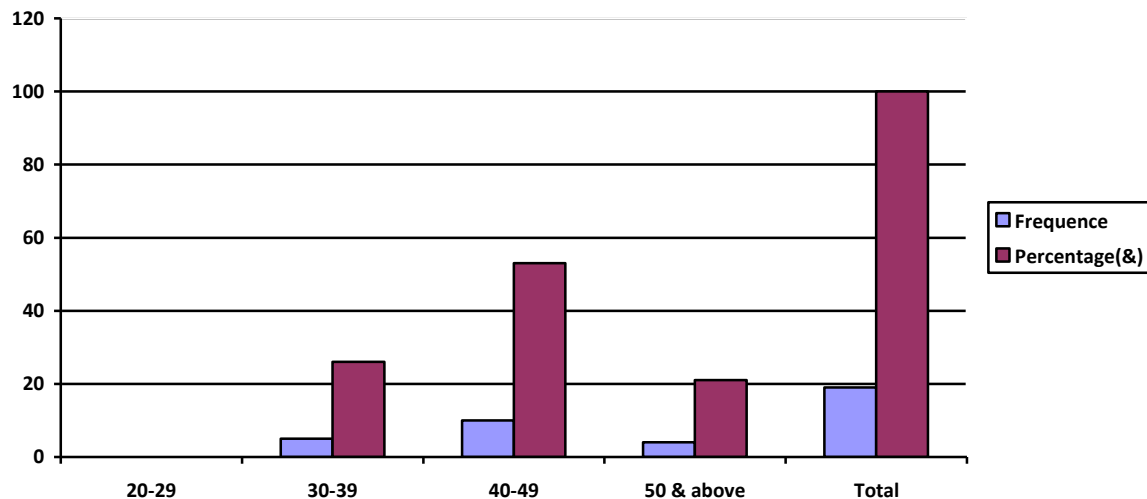


Table 3: Response on the Age of Respondents in Marianum Press Limited

AGE	FREQUENCY	PERCENTAGE
20-29	0	0
30-39	5	26
40-49	10	53
50 and above	4	21
Total	19	100
Maximum=60	Minimum=20	Standard deviation=21.78
Kurtosis=0.9		

Data source: Primary data.

Figure 2: A Bar graph illustration of Age of Respondents



It's observed from the table 3 and figure 2 above that most of the respondents are in an age bracket of 40-49 years represented by 53% with a frequency of 10, followed by 30-39 years with 26% with a frequency of 5, then 50 and above with 21% with a frequency of 4 and 20-29 years with 0.0%. Since the standard deviation (21.78) lies within the maximum (60) and minimum age (20), age meets the measures of central tendency

However, upon comparing the Jarque-Bera value (0.9) with the significance level (0.05), we reject the null hypothesis and conclude that the disturbance terms are not normally distributed since 0.9 is greater than 0.05

Tale 4: Response on the working experience of Respondents in Marianum Press Limited

YEARS	FREQUENCY	PERCENTAGE (%)
Less than 1	0	0
1 to 3	0	0
3 to 5	2	11
6 and above	17	89
Total	19	100

Data source: Primary data.

From the above analysis, the majority of the respondents of a working experience of 6 and above years in the Marianum Press limited represented by 89% with a frequency of 17, 3-5 years represented by 11% with a frequency of 2 hence no respondent has worked for less than a year and 1-3 years. This is further illustrated in a bar graph as shown below;

Figure 3: A bar graph illustrating the working experience of respondents.

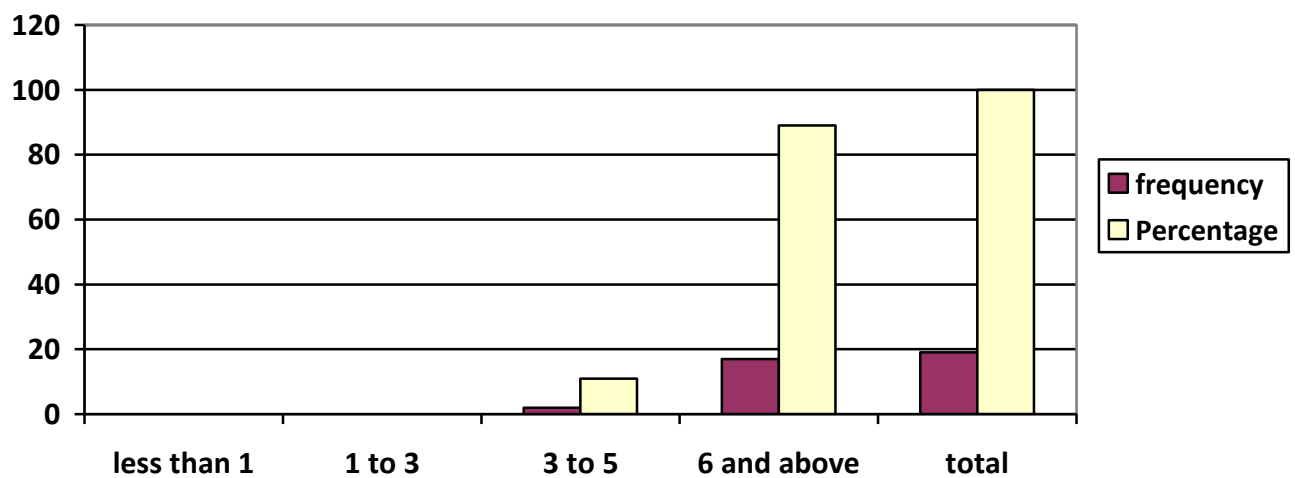


Table 5: Response on the highest level of Qualification of Respondents in Marianum press limited.

QUALIFICATION	FREQUENCY	PERCENTAGE (%)	
Certificate	0	0	
Diploma	0	0	
Degree	9	47	
Masters	3	16	
Postgraduate	7	37	
Total	19	100	

Data source: Primary data.

The above table shows that the minimum qualification of the respondents is a Degree represented by 47% with a frequency of 9, Masters represented by 16% with a frequency of 3 and postgraduate represented by 37% holding a frequency of 7 hence all the respondents are qualified employees. This is further more illustrated in the bar graph as follows;

Figure 4: A bar graph illustrating the highest level of Qualification of Respondents

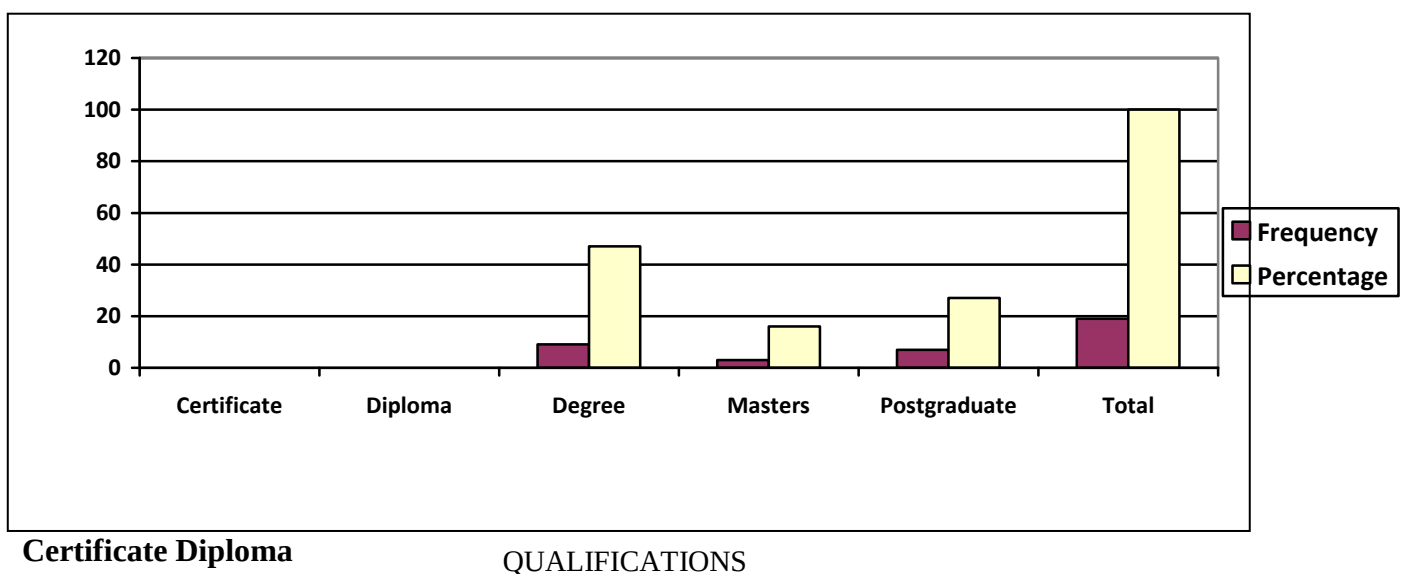


Table 6: Findings on the Effect of Verification of accounting data on the Performance of organisation

	ranking	1	2	3	4	5	
Statement		SD	D	U	A	SA	Total
Void manipulation of accounts	Freq	2	0	0	10	7	19
	%	11	0	0	53	37	100
Guards against improper use of assets	Freq	1	1	4	6	7	19
	%	5	5	21	32	37	100
Measures proper recording and valuation of assets	Freq	0	1	3	9	6	19
	%	0	5	16	47	32	100
Ensure arithmetic accuracy of the accounts	freq	0	0	1	12	6	19
	%	0	0	5	63	32	100
Detects frauds and errors if any in financial statements	freq	0	0	2	10	8	19
	%	0	0	11	53	42	100
Total number of responses	freq	3	9	18	83	61	174
Percentage of responses	%	2	5	10	48	35	100

Data source: Primary data.

According to the above figures, responses on the effect of Verification of Accounting data on the performance of organization were, 48% conceded/agreed with a frequency of 83, 35% strongly agreed with a frequency of 61, 10% were uncertain with a frequency of 18, 5% disagreed with a frequency of 9 and 2% strongly disagreed with a frequency of 3 hence stipulating a total frequency of 36 174. Therefore, verification of accounting data is very significant or of great importance on the performance of Organisations

Illustration of the Responses on the Effect of Verification of accounting data on the performance of Marianum Press limited.

Responses on the Effect of Verification of accounting data on the performance of Marianum Press limited.

Table 7: Findings on the Effect of Internal control on the Performance of Marianum Press limited

	Ranking	1	2	3	4	5	
Statement		S	D	U	A	SA	Total
Enables the Marianum Press limited to carry out its activities in an orderly and efficient manner	freq	1	0	1	9	8	19
	%	5	0	5	47	42	100

Ensures adherence to management polices	Freq	0	0	1	12	19
	%	0	0	5	63	100

Safeguards the organisation assets	Freq	1	1	14	4	19
	%	5	5	74	21	100

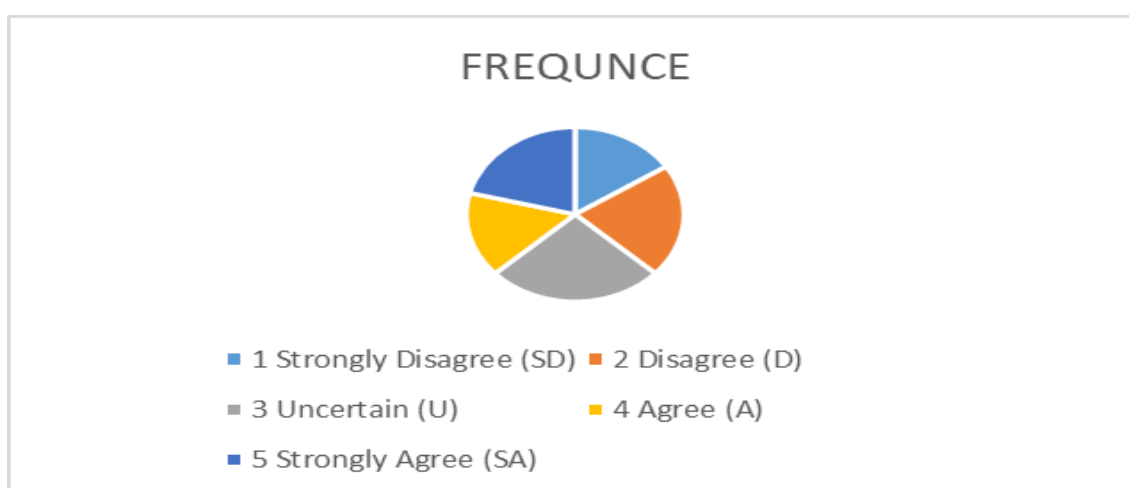
	%	5	0	16	47	100
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Data source: Primary data.

According to the above table, the responses on the effect of internal control on the performance of Marianum Press limited were, 53% of the respondents with a frequency of 71 agreed, 30% with a frequency of 40 strongly agreed, 10% with a frequency of 13 were uncertain, 4% with a frequency of 5 disagreed and 3% with a frequency of 4 strongly disagreed. This implies that internal control is of great effect on the performance of Marianum Press Limited It is further illustrated as follows;

Table 8: Illustration of the responses on the effect of internal control on the performance of organizations

NO.	RESPONSE	FREQUENCE	PERCENTAGE
1	Strongly Disagree (SD)	3	16%
2	Disagree (D)	4	21%
3	Uncertain (U)	5	26%
4	Agree (A)	3	16%
5	Strongly Agree (SA)	4	21%
TOTAL		19	100%



From table 8, 26% of the respondents were uncertain about the effect of internal control on the performance of organizations, 21% both disagreed and strongly agreed, and 16% of the

respondents strongly disagreed and agreed and this shows that respondents who were uncertain strongly affected the performance of organizations.

CONCLUSION

According to the findings got by the Researcher, they show that despite the verification of accounting data, contribution of external auditing and financial performance, vouching or examination of records and existence of internal control measures in Kisubi, Organisations, they are not adequate enough and ineffective to eliminate fraudulent tendencies, money laundry, and embezzlement of finds, corruption and bribery among others. This may be due to non-compliance with the accounting procedures and accounting reporting frame work or negligence by the staff members in the assignment or duty performance.

RECOMMENDATIONS

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

The head of the external audit department should be responsible to the administration of organisation in Kisubi bottling with sufficient authority to promote independence and to ensure broad audit coverage, adequate consideration of audit reports, and appropriate action on audit recommendations.

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