
**THE EXTERNAL AUDITING AND FINANCIAL PERFORMANCE
A CASE STUDY OF CENTENARY, KALUNGU DISTRICT**

1 Nassiwa Mary, 2 Irumba Alex

1 Metropolitan International University, 2 Metropolitan International University

ABSTRACT

The study, which uses the Centennial Bank Kalungu branch as a case study, examines the effects of external auditing on credit intermediaries. The case study approach was selected to offer a thorough analysis of the centenary bank auditing process. The stratified sampling methodology, census, and the purposeful sampling method were all used to choose respondents from each sample unit. Inspection, a review of existing literature, and an interview with the aid of a checklist that had undergone a pilot test were used to gather research data.

To create descriptive statistics, the acquired data was compiled, coded, and statistically analysed. The results were then displayed as tables, rates, proportions, graphs, and charts. In order to assess whether external auditors conduct themselves ethically and competently when examining financial institutions, it set out to ascertain the characteristics of independent assessment to effective external audit in credit intermediaries.

Results showed how crucial an external auditor is to ensure that the Centennial Bank follows all rules and regulations pertaining to financial reporting.

It was also proven that external auditors do not completely work with them; they among other things postpone submitting financial statements and other necessary support. The investigator advises more research into the reasons for the differences between Centenary Bank's internal and external auditors, as well as the effects of these conflicts on the accuracy of published accounting results.

It is advised to conduct more research to determine how managers see independent auditors.

Key words: external auditing and financial performance

Background of the study

The industrialization of the 18th century saw a large expansion of commerce and manufacturing, which led to the establishment of modern accountancy and auditing (Okezie 2018).

The rise of massive industrial corporations with intricate bureaucratic structures was a result of the industrialization, according to (Ecaterina & ANAO, 2017).

When ownership and administration of major organizations became separated over time, specialized accountancy and accounting services were required.

It became vital for the managers to answer to the investors.

So, the stakeholder needs an impartial individual or people to represent their interests in assessing the management's reports to make sure they are true. The need for auditors is now present not just in the process of communicating accounting records, but also as a result of regulations put in place by the government in order to guarantee adequate transparency of both public as well as private businesses. According to Dandago (2019), accounting is the impartial investigation and presentation of an opinion on the accounting records of a company by a designated auditor in line with his employment conditions and the adherence of government legislation and relevant elements (Mainoma, 2017)

This definition made it very obvious that an auditor must be in charge of giving their assessment of a company's whole financial statement.

In this sense, "auditor" describes a person or company that conducts an entrepreneurial audit. For the audit to be successful, the auditor needs approval and both functional and psychological freedom. (Akpata, 2019/2020) and (Sabari, 2016) divide audit into four categories: private, governmental, administrative, and international audit, despite the fact that all of these audits concentrate on rules that result in control over spending or revenue. "An independent quality activity within an organization for the evaluation of the control structure and the level of achievement as a contribution to the organization," according to Millichamp (2019:35), is what externally audits are.

Problem statement

Financial statements are a crucial instrument that stockholders can use today to monitor the management of their assets and guarantee the accuracy of that accomplishment.

The most contentious topic at symposia is the value of the data and presented figures in the banking statements, which are the end result of bookkeeping.

Generally speaking, the main objective is to create financial information.

One of the key tools for improving the efficiency of public businesses is accounting. Internal audit has been shown to develop clear financial procedures and has decreased levels of corruption in these organizations (Mainomo & Diamond, 2017).

Objectives of the study

To assess the relationship between risk management and financial performance of centenary bank Kalungu district.

To determine the relation hip between External audits practices and financial performance of centenary bank Kalungu district.

To find the relationship between control activities and financial performance of centenary bank Kalungu district.

To evaluate the relationship between external auditing and financial performance of centenary bank Kalungu district.

Research questions

What was the relationship between risk management and financial performance of centenary bank Kalungu district?

What was the relationship between External audits practices and financial performance of centenary bank Kalungu district?

What was the relationship between control activities and financial performance of centenary bank Kalungu district?

What was the relationship between external auditing and financial performance of centenary bank Kalungu district?

Methodology

Research design

The study was descriptive in nature and would involve the use of both qualitative and quantitative methods, where qualitative would determine wordy responses and quantitative would determine the frequency distribution of responses used as an interpretive technique. The researcher adopted a cross sectional survey where by different categories of the targeted population studied at one point in time some respondents were selected by the researcher randomly in order to obtain appropriate information required by the researcher.

Study population

The researcher used thirty respondents including the business accountants, business owners, and heads of departments among other business staffs.

Sample size

Table 1 shows sample size determination

Category of Respondents	Population Size	Sample Size
<i>Business accountants</i>	<i>10</i>	<i>5</i>
<i>Business owners</i>	<i>8</i>	<i>3</i>
<i>Heads of departments</i>	<i>12</i>	<i>4</i>
<i>Other business staffs</i>	<i>20</i>	<i>15</i>

Total	50	27
--------------	-----------	-----------

Sampling procedure

This was used to avail the researcher with necessary data required during the survey. The researcher would also apply Purposive sampling technique; this method could involve selecting members in the study area as the main informants and provide the researcher with the necessary data.

Data collection methods

Questionnaire

Given that they were appropriate for time-constrained individuals like entrepreneurs and auditors, the investigator in this case sent respondents tractor trailer questions. The surveys were identity, which meant that after 2 weeks of the participants receiving the surveys, the investigator would continue collecting the survey responses from the participants, giving them time to complete them and providing correct findings to the investigator.

Guide for interviews

Interviews were done as they were practical for the investigator. For instance, an interview schedule allowed the respondents to react to a question by describing the scenario as it was at the time. The investigator would speak with responders including department managers and other company personnel.

Observation

This was systematic data collection approach. Researchers use all of their senses to examine people in natural settings or naturally occurring situations. Observation of a field setting involves: prolonged engagement in a setting or social situation.

Secondary sources

Secondary data. Secondary data refers to data that was collected by someone other than the user. Common sources of secondary data for social science include censuses, information

collected by government departments, financial records and data that was originally collected for other research purposes for example text books, business journals, websites, academicians among other sources.

Data Analysis

Data was analyzed through the frequencies for the quantitative data obtained and later it was converted into percentages using SPSS (Nelson.K, 2022). This formed the basis for data as well as determining the trend of findings and drawing of the conclusion.

RESULTS

Demographic Characteristics

Gender of respondents

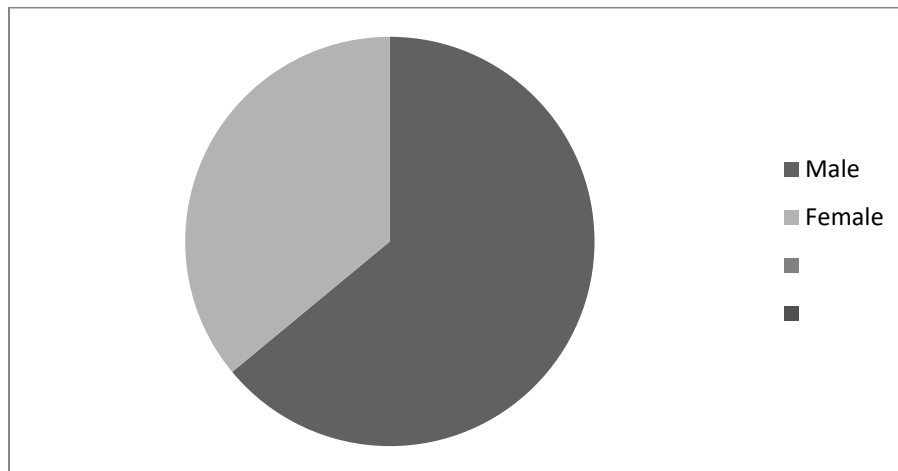
Table 2: Showing Gender respondents

Respondents	Frequency	Percentage
<i>Male</i>	32	64
<i>Female</i>	18	36
<i>Total</i>	50	100

Source: primary data 2020

From the table 2, it can be seen that the majority of respondents are male that is 32 respondents representing 64% of the total respondents and 18 respondents are female representing 36% of the respondents. From the above presentation, it is clear that although many of the respondents were male representing the highest percentage, the issue of gender sensitivity was adhered to by few females who were selected.

A pie chart showing gender respondents



Academic Qualifications

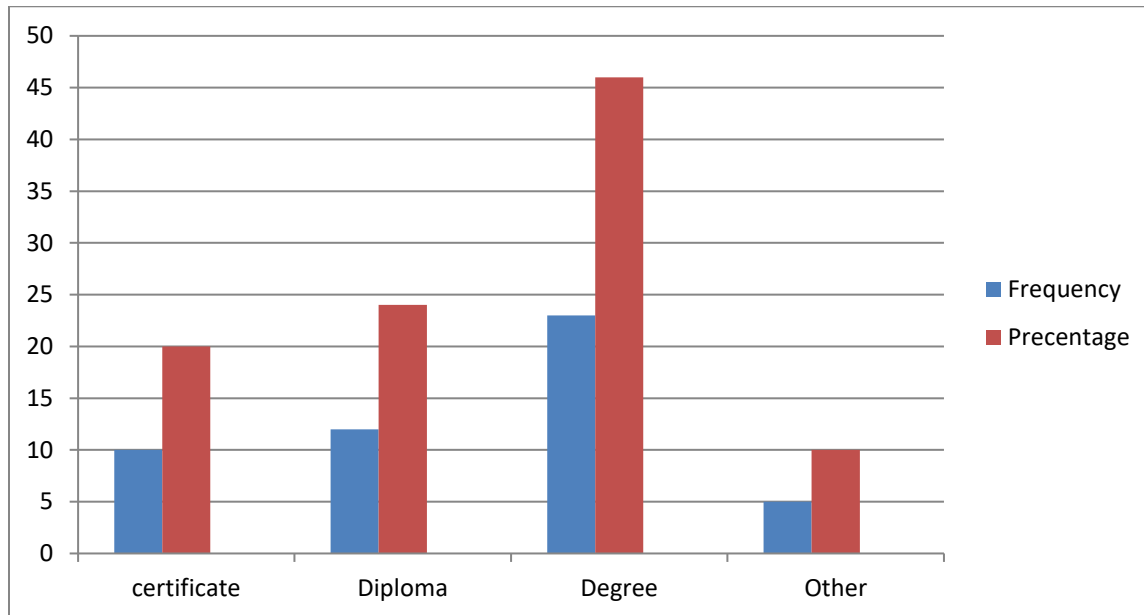
Table 3: Showing academic qualifications of the respondents.

Qualifications	Frequency	Percentage
Certificate	10	20
Diploma	12	24
Degree	23	46
Other	05	10
Total	50	100

Source: Primary data, 2020

From table 3, it is seen that that the majority of the respondents of centenary Bank are degree holders representing 46% followed by diploma holders at 24% of the total respondents, followed by certificate holders representing 20% and respondents having other education levels were 5 respondents representing 10%. This implies that the respondents of Centenary bank are well educated and therefore the information obtained from them can be relied upon for the purpose of this study.

A bar graph showing academic qualifications of the respondents.



Age of respondents

Table 4: showing the age of respondents

<i>Age brackets</i>	<i>Frequency</i>	<i>Percentage</i>
20 - 30	15	30
30 - 40	25	50
40 - 50	7	14
50 +	3	6
Total	50	100

Source: Primary data 2020

Table 4 shows that 15 % of the respondents, or 30% of the survey participants, are between the ages of 20 and 29, 25 respondents, or 50% of the 40 participants, 7 respondents, or 14% of the total respondents, are between the ages of 40 and 49, and agree with the statement, or 6% of the total respondents, are between the ages of 50 and plus.

Because they were viewed as having information, the age group of 30 to 40 had the largest percentage of respondents—50%—of all respondents, as shown in the aforementioned presentation (external auditing and financial performance of centenary bank in Kalungu district). The age group of 20 to 30 years old came in second, with 30 responders, or a total of 30%.

The lowest rates were found in the 50+ age group.

Findings Period of work

Table 5: Shows the period of work of respondents

<i>Time</i>	<i>Frequency</i>	<i>Percentage</i>
Less than 2 years	2	4
Above 2 years	20	4
Above 5 years	28	56
Total	50	100

Source: Primary data, 2020

The study findings on the time respondents have been in Centenary bank, it was found that majority respondents had been in the company for Above 5 years 56(56%), above 2 years were 40(40%) of the respondents, followed by less than 2 years with 4(4%). It implies that many respondents had been in the organization for long so have information about the organization.

Nature of the external auditing function financial performance of Centenary bank.

The study's primary goal was to define the independent external function's role in the financial efficiency of Centennial Bank.

According to the information gathered above, there are independent audit benchmarks appropriate for audit procedures in the bank, with 60% of participants responded agreeing, 20% agreeing, 8% disagreeing, 10% participants not sure, and 2% strongly disagreeing. These findings are in line with the nature of the independent audit function financial performance of Centenary Bank.

70% of participants highly agreed, 8% strongly agreed, 18% disagreed, no participants responded objected, and 4% were unsure that the independent audit requirements are sufficient to permit banking system.

The majority of responders were unanimously in agreement on this point. 64% of participants highly agreed, 18% accepted, 4% disapproved, 8% of respondents were unsure, and 6% strongly disagreed with the statement that "The bank frequently reviews the audit criteria."

50% of those surveyed said they firmly agreed with

There is professional audit expertise at this century-old bank, according to 28% of respondents; 10% disapproved

8% of participants were unsure, while 4% strongly disagreed.

46% of participants indicated, 14% agreed, 20% were unsure, 15% disapproved, and 4% respectfully disagreed that the auditors are operating efficiently and have good work competency.

58% of those surveyed believed that the independent audit function had a considerable amount of knowledge and control, 28% agreed, 4% were unsure, 6% disagreed, and 4% simply disagree. According to the reactions from of the employees of Centenary Bank as shown above, of the survey participants who essentially agree and consented that the bank has independent external benchmarks appropriate for auditing, 80% of participants said that these standards are enough to make it possible for the operating condition of the bank, and 78% of all participants agreed.

In addition, 78% of the participants agreed and agreed that this centennial bank has independent auditing basic competence, 60% of participants unanimously agreed that the auditors are successfully trying to operate and have tremendous work basic competence, and finally, 78% of all those surveyed strongly agreed and agreed that the bank periodically reviews the quality systems.

Effect of external auditing on financial performance of organizations

Finding out how Centenary Bank's external independent auditor affected its economic health was the second goal.

The information gathered was presented by the researcher as follows.

74% of respondents highly agreed, which would improve internal interactions between employees, according to the results.

6% of participants also agreed, 8% were reported as unsure, 2% disagreed, and 10% strongly disagreed.

Increased efficacy in credit control was strongly agreed upon by 60% of participants.

14% of participants said they agreed, 4% said they were unsure, 16% disagreed, and 6% vehemently disagree.

40% of those surveyed strongly agreed, 20% agreed, 10% were unsure, 4% disapproved, and 16% were strongly against the assertion that the institution's marketing efforts need to be improved.

30% of the participants said they had found organizational shortcomings that needed to be rectified. Enhanced control over organizational activities had 50% of the respondents who strongly agreed, 10% agreed, none were not sure, 18% disagreed and 22% strongly disagreed.

40% of the respondents strongly agreed with; mechanism for stimulating risk management 30% agreed, 10% of the respondents were not sure, 10% disagreed and 10% strongly disagreed.

There is realization of value for money in the bank operations had 30% respondents who strongly agreed, 50% agreed, 6% were not sure, while 10% disagreed and 6% strongly disagreed.

Effective external control lead to proper credit control had 80% who strongly agreed, 10% agreed, none were not sure, 8% disagreed and 2% strongly disagreed.

Auditing of financial books lead to increased profitability had 56% of the respondents who strongly agreed, 20% agreed, 6% were not sure, 8% disagreed and 10% strongly disagreed.

Proper financial management leads to effective collection of tuition from students had 64% of the respondents who strongly agreed, 16% agreed, 10% were not sure, 6% disagreed and 4% strongly disagreed.

based on the aforementioned conclusions regarding the impact of the external audit function on Centenary Banking industry in bangladesh.

80%

The majority of participants (60%) agreed and were convinced that improving interaction within the company would be a good idea, followed by 94% of those surveyed who concurred and strongly agreed that improving credit control would be an improvement to the institution's marketing efforts, followed by 46% of all survey participants who strongly agreed that

identifying failures to seek redress in the institution would be a good idea. 90% of the participants overwhelmingly agreed and agreed that efficient external regulation leads to proper credit control, 70% of the 40 participants were strongly in agreement that there is a methodology for trying to stimulate risk management, 80% of the total participants firmly agreed and agreed that there is moment of realization of value for the money held by the bank operations, and 76% of the total participants strongly agreed and agreed that auditing of accounting records results in improved transparency.

and finally, 80% who were both strongly in favor of

Effective tuition gathering from learners is a result of good financial management.

Based on the responses, it appears that the external audit function has an impact on Centenary Profitability of the banks.

Conclusion

The study was set to examine the impact of external auditing on financial performance of centenary banks in Kalungu district. The objectives nature of the external auditing function financial performance of Centenary bank, examine the challenges faced in the external audit function in financial performance of Centenary bank and determine the effect of external audit function on financial performance of Centenary bank.

Recommendations

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

Bibliography

Akpata . (2019/2020). Advanced Audit and Assurance. Kaplan Publishing.

Ecaterina & ANAO. (2017). Public Sector External Audit – An investment in Assurance and Business improvement. Better Practice Guide.

Mainomo & Diamond. (2017). The Role of External Audit in Government Financial Management. An International perspective.

Nelson.K. (2022, july). Teach yourself SPSS and STATA. International Journal of Academic Pedagogical Research, 6(7), 84-122.

Sabari. (2016). The use of external audit by Australian companies. Managerial Auditing Journal.