

INTERNAL AUDITING AND FRAUD PREVENTION IN ORGANIZATIONS

A CASE STUDY OF NSSF KAMPALA AREA

1 Apangu Innocent, 2 Irumba Alex, 3 Dr Ariyo Gracious Kazaara

1, 2, 3 Metropolitan International University

ABSTRACT

The purpose of the study was on internal Auditing and fraud prevention at NSSF Areas in Kampala. The study was based on the results from 50 respondents who presented accurate data to the researcher out of the sample size of 60 respondents. The study was guided by the objectives which were to assess the relationship between recording and fraud prevention at NSSF Kampala Area to find out the relationship between monitoring and fraud prevention at NSSF Kampala Area, to determine the relationship between book keeping and fraud prevention at NSSF Kampala Area, to examine the relationship between internal auditing and fraud prevention at NSSF Kampala Area. The correlation coefficient (0.778) shows a strong positive relationship between monitoring and fraud prevention. This is statistically significant at 0.05 level of significance since the P-value (0.00) is less than 0.05 and therefore, we reject the null hypothesis and conclude that there is no relationship between monitoring and fraud prevention. Furthermore, a strong audit committee should be established, training of internal auditors should be done, the capacity of the internal auditors should be increased, even if more are recruited from college graduates, The reports of the internal auditors should be sent to the shareholder board and an audit committee, other than the supervising

Key words: Book keeping, internal auditing, fraud prevention, monitoring and recording

Background of the Study

An essential part of bank leadership and the basis for the secure operation of banking institutions is an internal inspection system. A banking the company's desired outcomes can be reached, sustainability goals can be met, and trustworthy financial and management monitoring can be maintained with the aid of a robust internal auditing system (Polycarp et al., 2023). The risk of unforeseen losses or harm to the financial institution's image can be reduced with the aid of such a system, which can also assist ensure that the bank is in compliance with regulatory requirements as well as policies, plans, internal rules, and processes. The Basel Committee and banks regulators all over the world have increased their attention to the value of reliable internal auditing procedures. Internal auditing procedures are intended to give administration a fair level of confidence regarding the accuracy and dependability of financial reporting, the effectiveness and productivity of operations, and adherence with all relevant laws and regulations (Alex & Kazaara, 2023). By tracking and enhancing administrative and fiscal reporting procedures and assuring adherence to the appropriate regulations and rules, an internal auditing system may be able to avoid errors and fraud .Whenever cost-effective measures are adopted to limit mistakes, such as incorrect or illegal behaviors, to a tolerable level, adequate confidence is provided. To determine the fact that the system is operating as intended, the internal audit examines the performance of the internal auditing system (Innocent et al., 2023). Therefore, the menace called fraud has been a deadly disease that has infected many financial corporate bodies particularly the banks which led to the recent reformation in the banking industry in Nigeria, thus, involving the process of Organization combination in the industry such as merger and acquisition whereby the infected banks are being merged to and/or acquired by the healthy and sound ones.

Problem Statement

Members of the NSSF are becoming fearful, anxious, and losing confidence due to the frequency of fraud and money laundering (Association of Certified Fraud Examiners, 2018). In order to accomplish the primary goal of the banking organization, sufficient attention must be taken while implementing internal auditing because they function in an environment that affects the way they function (Hochberg & Jorgensen, 2019). The fact that fraud can result in considerable losses for many firms is one factor contributing to the increased interest in the practice of internal auditing. Only by using efficient internal auditing can a study of the issues associated to these expenditures in banking organizations be kept up to date. Sound Internal audit is one of the principal means by which fraud is managed. In accordance with Flesher (2019), the internal auditing process should keep an eye on and assess how well the business's risk mitigation system is working.

The National the Social Security Administration Fund (NSSF), which has been in operation in Uganda for a while, is renowned for obtaining Pay As You Earn (PAYE) from both public and private sector workers. The National Social Security Fund obtained criticism from local residents after they were informed by NSSF administrators that the funding was not accessible to cater for all the beneficiaries in 2021. The 11th Parliament of Uganda developed up with the bill that modified the NSSF Act to amend it to allow the NSSF Individuals who had accumulated savings with it for more than 10 years consisted the ones entitled to get the money. This clearly evidenced fraud and it is on this grounds that the researcher decided to carry out a study on the influence of internal auditing on fraud prevention at National Social Security Fund Kampala Area

The study was guided by the following objectives

- 1. To assess the relationship between recording and fraud prevention at NSSF Kampala Area*

2. *To find out the relationship between monitoring and fraud prevention at NSSF Kampala Area*
3. *To determine the relationship between book keeping and fraud prevention at NSSF Kampala Area.*
4. *To examine the relationship between internal auditing and fraud prevention at NSSF Kampala Area*

The Study was guided by the following questions

1. *To assess the relationship between recording and fraud prevention at NSSF Kampala Area?*
2. *To find out the relationship between monitoring and fraud prevention at NSSF Kampala Area.?*
3. *To determine the relationship between book keeping and fraud prevention at NSSF Kampala Area?*
4. *To examine the relationship between internal auditing and fraud prevention at NSSF Kampala Area?*

Methodology

Research design

This study used a design based on numbers, which was effective at characterizing a situation's variables' features. The circumstances or connections that existed, attitudes that were held, activities that were taking place, impacts that were obvious, or trends that were developing were all factors that were taken into consideration when designing a descriptive survey, as stated by Best and Khan (2019). (Kerlinger, 1969). The descriptive survey design made it possible to collect data with no modification to the study's variables.

Target population

According to Wikipedia (2021) population refers to all the inhabitants of a particular place. The target population of the study was at the headquarters of National Social

Security Fund. The target population was comprising of over 70 Auditors. This target population enabled the researcher to gather concrete information for the study.

Table 1: Target Population

Respondents	Target Population
<i>Auditors</i>	<i>70</i>
Total	70

Sampling

Sample size

A sample is a smaller pressure of subjects obtained from the accessible population (Mugenda and Mugenda, 2019). The study employed Mugenda and Mugenda (2019) who recommended sample size of at least 60% of the target population. The researcher used the above formula to determine the sample size for the 70 respondents.

Table 2: Sample Size

Respondents	Target Population	Sample Size
<i>Auditors</i>	<i>70</i>	<i>60</i>
Total	70	60

Sampling Procedure

According to Mugenda & Mugenda (2013), sampling is the procedure of picking a group of people for a study in such a way that the people chosen are representative of the intense circumstance that led to their selection. The sample size was chosen from a population of people by the investigator using a method called random sampling. The investigator created a sampling frame and gave it to the intended audience. As a

result, every member of the population that was accessible had an equal opportunity to take part in the study.

Data collection instruments

The researcher used questionnaires as a means of collecting data from the respondents because the questionnaire helped the respondents to give out well thought out answers to the questions that were being asked and a questionnaire also gave the respondents time to respond to questions in their free time when they were not in a hurry

Data Analysis techniques

The study's single approach was adopted, which necessitated the use of quantitative data collection methods. Data analysis employed the technique of deductive reasoning. This approach involved creating an assumption from the study targets, which was then operationalized and put to the test. The data were analyzed using computer software like SPSS, and tables and charts were created to illustrate the quantitative data (Nelson et al., 2022). In order to show the study's findings with the greatest amount of impartiality and information, tables and charts were also utilized. I'll also examine the descriptive data from the field group discussion to provide more support for the conclusions reached.

Results

Table 1: Relationship between recording and fraud prevention

		recording	fraud prevention
recording	Pearson Correlation	1	.806**
	Sig. (2-tailed)		.010
	N	60	60
fraud prevention	Pearson Correlation	.706**	1
	Sig. (2-tailed)	.010	
	N	60	60

****.** Correlation is significant at the 0.01 level (2-tailed).

Source; Primary Data, 2022

The correlation coefficient (0.706) shows a strong positive relationship between recording and fraud prevention. This is statistically significant at 0.05 level of significance since the P-value (0.01) is less than 0.05 and therefore, we reject the null hypothesis and conclude that there is no relationship between recording and fraud prevention.

Table 2: Relationship between monitoring and fraud Prevention

		Monitoring	fraud prevention
Monitoring	Pearson Correlation	1	.778**
	Sig. (2-tailed)		.000
	N	60	60
fraud prevention	Pearson Correlation	.778**	1
	Sig. (2-tailed)	.000	
	N	60	60
**. Correlation is significant at the 0.01 level (2-tailed).			

The correlation coefficient (0.778) shows a strong positive relationship between monitoring and fraud prevention. This is statistically significant at 0.05 level of significance since the P-value (0.00) is less than 0.05 and therefore, we reject the null hypothesis and conclude that there is no relationship between monitoring and fraud prevention.

Table 3: Relationship between Book Keeping and fraud Prevention

		Book Keeping	fraud prevention
Book Keeping	Pearson Correlation	1	.348**
	Sig. (2-tailed)		.056

	N	60	60
fraud prevention	Pearson Correlation	.348**	1
	Sig. (2-tailed)	.056	
	N	60	60
**. Correlation is significant at the 0.01 level (2-tailed).			

The correlation coefficient (0.348) shows a weak positive relationship between book keeping and fraud prevention. This is statistically insignificant at 0.05 level of significance since the P-value (0.056) is greater than 0.05 and therefore, we fail to reject the null hypothesis and conclude that there is a relationship between book keeping and fraud prevention.

Conclusions

The results indicated that majority of the respondents presented results indicating that there was a high relationship between recording and fraud prevention followed by a few of the respondents who presented results to the researcher indicating that there was a low relationship between recording and fraud prevention in the organization. Some of the respondents however presented result to the researcher indicating that there was no relationship between recording and recording and fraud prevention and finally one of the respondents however presented results indicating that they were not sure on whether there was a relationship between recording and fraud prevention.

Recommendations

Top management should make the internal audit department more effective so that they can use this more effective internal audit on a regular basis to collect stronger evidence to support fraud detection. To improve assurance of financial reporting, internal auditing could employ the self-assessment questionnaire technique to staff in order to detect areas of failed controls as a result assure management and the board that systems are effective. Furthermore, a strong audit committee should be

established, training of internal auditors should be done, the capacity of the internal auditors should be increased, even if more are recruited from college graduates, The reports of the internal auditors should be sent to the shareholder board and an audit committee, other than the supervising.

References

- Alex, I., & Kazaara, A. G. (2023). *Internal Controls and Financial Performance of Saccos in Wakiso District*. 7(3), 47-56.
- Innocent, A., Kazaara, A. G., Nelson, K., Catherine, M., Micheal, T., & Deus, T. (2023). *Internal Auditing and Fraud Prevention in Organizations a Case Study of Nssf Kampala Area*. 7(2), 150-157.
- Nelson, K., Christopher, F., & Milton, N. (2022). *Teach Yourself Spss and Stata*. 6(7), 84-122.
- Polycarp, K., Kazaara, A. G., Kazaara, A. I., Prudence, K., & Nicholas, K. (2023). *The effect of loan defaults on profitability of financial institutions in Uganda : a case study of post bank , Anaka branch , Nwoya district*. 7(3), 172-178.