
INTERNAL CONTROL AUDIT PRACTICES AND FINANCIAL PERFORMANCE IN ORGANISATIONS.

ACASE STUDY OF LIVERCOT IMPEX LTD, BWEYOGERERE, KAMPALA

1 Nyakato Moureen, 2 Dr Arinaitwe Julius

1, 2 Metropolitan International University

ABSTRACT

The study focused on internal control audit practices and financial performance in Livercot Impex Ltd. In this study the internal control audit practices (measured by risk assessment, control environment and control activities attributes) was the independent variable and financial performance (measured by profitability, sales and service delivery attributes) was the dependent variable. The study used cross sectional design which enabled the researcher to draw the samples from the population over a short period of time. The study focused on the respondents from Livercot Impex Ltd. The researcher used stratified random sampling to select the respondents from all layers in the cluster. Primary data and secondary data collection methods were used. Quantitative methods were used to collect and analyze the data. The research findings shown by correlation analysis generally indicated that there was a significant positive relationship between internal control audit practices measures (risk assessment, control environment and control activities) and the financial performance measures (profitability, sales and service delivery). From the findings, there was a high and significant positive relationship between risk assessment and financial performance since, $r = .661^{**}$; $p = .000 < .01$. This implied that a change in the risk assessment led to a change in financial performance in the same direction. Therefore, to enhance financial performance during internal control audit practices, the company needs to ensure that risk assessment is given maximum attention. The researcher therefore wishes to recommend to the company that risk assessment should be given consideration after control activities as evidenced by the r , p and Beta values in the correlation.

Key words: internal control, audit practices, financial performance and organisations

Background to the Study

Internal controls talk over with the measures instituted by using an organisation to be able to make certain attainment of the entity's goals, desires and missions (Alex & Kazaara, 2023). They are structures of guidelines and procedures that defend the property of an organization, create dependable financial performance, promote compliance with laws and policies and attain effective and green operations (Innocent et al., 2023). these systems are not best associated with accounting and performance however additionally relate to the businesses verbal exchange strategies, internally and externally, and encompass procedures for coping with budget received and expended with the aid of the employer, getting ready suitable and well timed monetary overall performance to board members and officers, engaging in the yearly audit of the enterprise's economic statements, preserving inventory facts of real and different houses and their whereabouts (K. Moses et al., 2023). internal Controls are tactics designed and tormented by the ones charged with governance, and different employees to provide affordable guarantee approximately the achievement of an entity's goals in regards to reliability of the financial overall performance, effectiveness and efficiency of operations and compliance with applicable legal guidelines and guidelines (Christopher et al., 2022b). An increasing number of, reliability of financial overall performance in accounting context is very crucial for the buyers who use the records for selection control.

The reliability of monetary overall performance is effective to internal manipulate performance to make sure that the transactions and bookkeeping are appropriate and nicely legal, legitimate, efficiently recorded, complete, and on time. moreover, it is very critical that groups have pretty summarized accounting information disclosure (K. Moses et al., 2023). However, in fashionable, a pleasant reporting is laid low with inner control mechanism. There's a trendy perception that organization and enforcement of proper inner manipulate systems will always result in improved economic overall performance. It's also a popular perception that nicely instituted structures of inner manipulate enhance the performance manner and also provide rise to dependable reports which complements the duty function of control of an entity (Isaac et al., 2023). According to (Christopher et al., 2022a), appropriate overall performance measures are those which permit companies to direct their actions toward reaching their strategic objectives. On the other hand (Micheal et al., 2023), communicate approximately the comprehensiveness of internal controls in addressing the fulfillment of targets in the areas of economic overall performance, operations and compliance with legal guidelines and policies. They in addition word that “ internal manipulate also consists of this system for making ready, verifying and distributing to the diverse tiers of control those modern-day reports and analyses that permit executives to keep control over the type of sports and features which are executed in a big corporation” They mention inner manage gadgets to

encompass; use of budgetary strategies, production standards, inspection laboratories, employee schooling and time & movement research amongst others (Ntirandekura & Friday, 2022).

Problem Statement

In keeping with the once a year-OAG-overall performance-record-2016, in step with the strategic objective of the current corporate Plan 2016-21 of continuously improving systems and systems to ensure better and efficient overall performance (T. Moses, 2023), the inner Audit helps the workplace by means of imparting independent, objective guarantee and consulting feature that strengthens OAG's operations via a scientific evaluation aimed at improving the effectiveness of risk control (Paul et al., 2023), manage and governance strategies. throughout the time of reporting, the subsequent changed into performed. Internal audit practices effect is with a purpose to promote a proactive approach in identifying, comparing, reporting and handling risks related to the attainment of the targets of the corporate Plan, the enterprise-extensive chance control Framework manual became prepared and authorized (Nelson, Christopher, Teddy, et al., 2022). However, there may be inadequate performance of the incorporated employees and Payroll system (IPPS) in Uganda. In 2010, government began imposing the integrated employees and Payroll machine (IPPS) a contract charge of USD. 4,437,817 as part of the public carrier Reform software with the aim of installing location an all-inclusive Human useful resource control machine that might enhance accountability make stronger established order controls and in the long run be a repository for all employment records concerning a public officer and pensioner. regardless of spending a complete UGX. 904.5million that is UGX. 188.2 million (2015/16) and UGX. 716.4

million (2016/17) on IPPS gadget charges, the IPPS still faced some of technological and operational worries; as an example, there has been no integration between IPPS and IFMS thus far, and

frequent reviews of network challenges experienced by way of system customers throughout government (Christopher et al., 2022b).

Specific Objectives

- To establish the effect of Risk assessment on financial performance in Livercot impex ltd Bweyogerere, Kampala district.
- To establish the effect of Control environment on the financial performance in Livercot impex ltd Bweyogerere, Kampala district.
- To establish the effect of Control activities on the financial performance in Livercot impex ltd Bweyogerere, Kampala district.

Methodology

Research Design

The study used a case study research design. The case study approach enabled the researcher to conduct an empirical study that investigates the contemporary phenomenon within its real-life context considering answering the “how” and “why” questions which were posed during the data collection exercise. Both qualitative and quantitative approaches were employed interdependently. The qualitative approach was used to obtain an in-depth study of the study variables. The quantitative approach was on the other hand used to analyze numeric data obtained through questionnaires.

Quantitative approach

This was an inquiry into the identified problem based on testing a theory measured with numbers and analyzed using statistical techniques. The goal of quantitative approach was to determine whether the predictive generations of the theory hold true.

Qualitative approach

This approach was a process of inquiry which has a goal of understanding the social or human (customer) problem. Qualitative research was conducted in a business setting. Qualitative research was focus on the why rather than the what of client satisfaction and rely on direct experiences with the clients.

Study Population

The study population is defined as the entire group of individuals, events or objects having common observable characteristics. The population of the study constituted 55 respondents of which 48 respondents were considered. Krejcie and Morgan (1970) sample population and sample size determination table postulate that a study population of 100 respondents considers a sample size of 48 respondents.

Table 1: Population of the Study

Population Category	Sample population	Sample size
Top level	05	05
Middle level	20	18
Supervisory level	30	25
Total	55	48

Source: sales management report 2018

Sample size and selecting techniques**Sample Size**

Sample sizes of less than 10 are not normally recommended. In simple experimental research with tight controls, successful research can be conducted with samples as small as between 10 to 20. Therefore, in this study a sample size of 48 was considered during the data collection exercise. The researcher split the cited sample size to constitute 05 top level respondents, 18 middle level respondents and 25 supervisory level respondents.

Sampling techniques**Purposive Sampling**

Purposive sampling was used to target key informants such as the managers. This sampling technique was utilized to ensure that only people with substantial data are sampled. These was purposively selected to obtain qualitative

data through personal interactions with key informants. The researcher collected such data by collecting primarily verbal data before it's subjected into analytic induction. Purposive sampling was used because the study was targeting basically key informants.

Simple random sampling

Simple random sampling was utilized to obtain data from the homogenous sample population. Because of their immense numbers, the researcher employed the use of clusters to obtain data from relatively large subsets in a short time frame. Simple random sampling also eliminated possibilities of bias from the accessible population. It also ensured that each member of the population has equal and independent chances of being included in the sample.

Data analysis

After collecting and cleaning the data, it was coded then entered in a computer using Statistical Package for Social Scientists (SPSS) version 20 (Nelson, Christopher, & Milton, 2022). Various statistical tests were run to analyze the data. The data collected was edited, coded, classified on the basis of similarity and then tabulated. To permit quantitative analysis, data was converted into numerical codes representing attributes or measurement of variables. Descriptive statistics such as frequency distributions, percentages and frequency tables were used to summarize and relate variables obtained from the study. Correlations were carried out to establish the relationship between the independent variable factors and the dependent variable. Regression analysis was also performed to predict the dependent variable.

RESULTS

Table 1: Pearson Correlations Matrix

Correlations		RISK ASSESSM ENT	CONTRO L ENVIRON MENT	CONTROL ACTIVITIES	FINANCIA L PERFORM ANCE
RISK ASSESSMENT	Pearson Correlation	1	.746**	.603**	.661**
	Sig. (2-tailed)		.000	.000	.000
	N	48	48	48	48
CONTROL ENVIRONMENT	Pearson Correlation		1		
	Sig. (2-tailed)				

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Corresponding: Author: research.miu.ac.ug/publications

	N	48	48	48	48
	Pearson				
	Correlation	.603**	.662**	.000	.761**
CONTROL ACTIVITIES	Sig. (2-tailed)	.000		1	.000
	N	48	48	48	48
	Pearson				
	Correlation	.661**	.564**	.761**	1
FINANCIAL	Sig. (2-tailed)	.000	.000	.000	
PERFORMANCE	N	48	48	48	48

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

Source: primary data

Table 1 indicated that there was a high and significant positive relationship between risk assessment and financial performance since, $r = .661^{**}$; $p = .000 < .01$. This implied that a change in the risk assessment leads to a change in financial performance in the same direction (Richard et al., 2022). Therefore, to enhance financial performance during internal control audit practices, the company needs to ensure that risk assessment is given maximum attention. If $.1 < r \leq .3$, implied that there was a medium positive relationship while those which show Pearson correlations of such that $.3 < r \leq .5$ imply that there was larger positive relationship between the attributes (Kazaara & Christopher, 2023).

It is important to note that the diagonal correlation values are such that $r = 1$, because the relationship between a variable and itself is perfect.

To establish the effect of Control environment on the financial performance in Livercot impex ltd Bweyogerere, Kampala district.

Table 2 showed that there was high and significant positive relationship between control environment and financial performance since $r = .564$, $p = .000 < .01$. As the control environment changes, the financial performance changes in the same direction (Gracious, 2023). Thus, to enhance financial performance in the view of respondents internal control audit practices, there is need for the company management to ensure improved control environment during internal control audit practices (Innocent et al., 2023). Therefore, company management should ensure that the control environment is also given consideration, though not more than risk assessment because risk assessment is more significant (Kazaara & Christopher, 2023).

To establish the effect of Control activities on the financial performance in Livercot impex ltd Bweyogerere, Kampala district.

Table 3 showed that there existed a high positive and significant correlation between control activities and financial performance with $r=.761$ and $p=.000<.01$

The significant value $p = .000 < .01$, implied that the relationship between control activities and financial performance was very significant. Therefore, the company management needs to put very much emphasis on control activities during internal control audit practices to ensure very high financial performance (Racheal et al., 2023).

Regression analysis

Table 4: Regression Model for the study variables

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-.520	1.653		-.315	.754
RISK ASSESSMENT	.483	.169	.391	2.851	.007
CONTROL ENVIRONMENT	-.199	.214	-.136	-.928	.358
CONTROL ACTIVITIES	.806	.160	.615	5.049	.000
a. Dependent Variable: FINANCIAL PERFORMANCE R Square =.651 F Statistic = 27.308 Adjusted R Square =.627 Sig. F Statistic =.000 b. Predictors in the Model: (Constant).(Risk assessment, control environment and control activities) Y=-.520+BiXi i = 1,2,3,4					

Source: Primary Data

Table 4 showed that R Square =.651 was adjusted to .627 to provide for the potential errors in the raw data. This means that a combination of risk assessment, control environment and control activities accounted for only 62.7% variation in the financial performance. The other 37.3% variation in the financial performance was explained by other factors. This is because there are other factors other than the ones under study that affect financial performance.

From Table 4, it was observed that all factors were good and significant predictors, with control activities being the best predictor because it had the highest Beta value (.615) (Nelson et al., 2023).

Conclusions

In this study, “internal control audit practices” was the independent variable and “financial performance” was the dependent variable. Internal control audit practices were measured by risk assessment, control environment and control activities). Financial performance was measured by profitability, sales and service delivery.

Recommendations

The researcher therefore wishes to recommend to the company that risk assessment should be given consideration after control activities as evidenced by the r, p and Beta values in the correlation

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