

AUDIT PRACTICES AND MANAGING FRAUD IN ORGANIZATIONS, A CASE STUDY OF TOP RANK CONSULTS, KAMPALA

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ABSTRACT

The study aimed at audit practices and managing fraud in organizations with a case study of top rank consults, kampala and it was guided by the following objectives; To analyze the effect of internal auditing on fraud management at Top Rank Consult Services Uganda Ltd, to analyze the role of external auditing on fraud management at Top Rank Consult Services Uganda Ltd and to assess the effect of internal control activities on fraud management in Top Rank Consult Services Uganda Ltd. From the findings, the coefficient 0.049 shown that a unit increase in internal audit on average led to 0.049 increase in management of asset misappropriation fraud. The p-value (0.00) <0.05 (was statistically significant at 95% confidence level); this implied that; internal audit had a significant positive relationship with the management of asset misappropriation fraud in an organization. The coefficient 0.252 shown that a unit increase in internal audit led on average 0.252 increases in the management of financial statement fraud in an organization. The p-value (0.00) <0.05 (was statistically significant at 95% confidence level); this implied that; internal audit had a significant positive relationship with efficient management of financial statements fraud in organizations. The study recommends that organizations should ensure they have enough controls and procedures to facilitate their smooth operations.

Key words: audit practices, managing fraud and organizations

Background of the study

Internal investigations by IA is seen as an autonomous and target affirmation action intended to include esteem and enhance the organization's tasks, as it enables an organization to like Top Rank Consult Services Uganda Ltd to achieve its destinations by bringing a methodical, disciplined way to assess and improve the effectiveness of hazard management, control and administration process (Alex & Kazaara, 2023). A viable Commercial sector IA practice fortifies administration by substantially expanding citizens' capacity to hold their commercial sector responsible (Innocent et al., 2023). Audit is dynamic occupation engaged in helping organisations accomplish their targets. It also concerned about assessing and enhancing the adequacy of

hazard management, control and governance in organisation (Micheal et al., 2023). Audit by principle is a social observer, which guarantees that administrators run their activities in a successful, proficient, and judicious manner, to give a free appraisal of the risk administration process, control and governance , and make investigation results are acted upon for enhancing productivity (Innocent et al., 2023). In Africa, the new idea of audit practices can be followed back to the time of provincial governs in the 1960s. This is the period when the imperial powers were making investigations of their commitment to their colonies are being overseen by their delegates (Racheal et al., 2023). In Uganda, Functional Audit Practices are followed back to the year 1963; the year Uganda had accomplished autonomy from the Colonial Powers (Alex et al., 2023) as it was amidst

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this period that Uganda, as a young Independent State was management experts have recommended every organization setting up projects to rebuild the general commercial to hire qualified auditors to routinely check the financial Administration with a specific end goal to improve transactions of their organizations so that companies are responsibility, straightforwardness and corporate protected against internal financial mismanagement of funds administration (Paul et al., 2023). Top Rank Consult (Ronet et al., 2023). However, even with audit departments Services Ltd is a company limited shares under the laws of in place in many organizations in Uganda, companies still Uganda and they are specialists in water proofing and continue to grapple with the challenge of fraud. Often times, handle issues like leakages and dampness. They are located the cases of fraud are detected when it is already late and, in on Luwumu Street Plot 08, Kampala Uganda. Top Rank some cases, auditors have connived with other staff to Consult Services Ltd hires both internal and external defraud the company which has hired them to have an auditors to check the authenticity of its financial oversight role and to act as an internal check (Isaac et al., transactions. One of the main factors affecting Uganda's 2023). This study will therefore analyze the effect of audit commercial sector is the rampant fraud. Almost every day, practices on fraud management in Top Rank Consult reports of employees defrauding their employers are Services Ltd, Uganda.

expected and this affects their performance (Ramadhan et al., 2023). Although a few cases are reported and prosecuted, there are thousands of cases which go unnoticed yet they steadily lead to the collapse of many organizations of different magnitudes. However, Top Rank Consult Services Ltd has put in place controls and measures which have minimized cases of fraud. The company uses the services of both internal and external auditors to ensure that all transactions are documented and authentic

Problem Statement

Fraud management has become one of the priority matters companies have to handle in order to survive in the Ugandan market just as it is in other countries (Faith et al., 2023). Almost every day, there is a case of fraud in both public and private enterprises which causes huge losses to the company. In a bid to minimize the problem of fraud, companies have put in place controls such as audit departments which oversee the efficiency and effectiveness of organizational projects, scrutinizing the authenticity of the transactions made (Faith et al., 2023). Recently,

Objectives of the Study

1. To analyze the effect of internal auditing on fraud management at Top Rank Consult Services Uganda Ltd
2. To analyze the role of external auditing on fraud management at Top Rank Consult Services Uganda Ltd
3. To assess the effect of internal control activities on fraud management in Top Rank Consult Services Uganda Ltd

Research Questions

1. What is the effect of internal auditing on fraud management at Top Rank Consult Services Uganda Ltd?
2. What is the role of external auditing on fraud management at Top Rank Consult Services Uganda Ltd?

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3. What is the effect of internal control activities on fraud management at Top Rank Consult Services Uganda Ltd?

Methodology

Research Design

The study adopted a descriptive correlational a cross-sectional and case study survey research design. The descriptive correlational design was used to establish whether there is a significant relationship between advertising and the consumer behavior. The ex-post facto design is to be used because respondents were asked things that had already happened. The cross-sectional design was employed because a cross-section of respondents was selected to participate in the study all at once.

Quantitative Design

Quantitative design was used to process data which could be quantified and is numeric in nature. For example, the respondents' age, income, number of times they had purchased a given product in a given period of time, etc. According to Creswell et al. (2017), quantitative research helps in getting an in-depth analysis of the problem under investigation.

Qualitative Design

This was used to describe qualitative data which could not be quantified in numbers. This included respondents' opinions and ideas. Qualitative research was also applied in order to describe current conditions or to investigate relationships, including effects and relationships. In addition, it

helped in answering questions concerning the current state of the subject under study

Study Population

The study population comprised mainly the staff and customers of Top Rank Consult Services Uganda Ltd especially those working in the Accounts department, administration and top management. According to the Human Resource officer, this population amounts to 60 staff. This population was chosen because it was assumed to have adequate knowledge of the subject under investigation and the research variables under investigation.

Sample Size

The sample size was 35 respondents who were mainly staff and partners of Top Rank Consult Services Uganda Ltd.

Sampling Technique

The researcher employed several techniques to select the appropriate sample for the study. These included both probability and non probability sampling techniques

In this study a purposive sampling, a non-probability sampling was employed in selecting respondents from the population. This technique enabled the study to give an opportunity to only eligible participants by selecting from each unit within the population of the study. In this case, the researcher ensured that participants from different categories like sales staff, marketing staff and clients of the company had equal chance to participate.

Data Collections Instruments

Survey Questionnaires

The researcher used self-administered questionnaires for the respondents. These were distributed among the staff in their respective departments. The justification for using this instrument was that questionnaires were easy to quantify and analyze. In addition, the questionnaire was used because the study was focused on opinions, attitudes, feelings and perceptions of the respondents.

Interviews

An interview guide consisting of structured questions was designed and administered to the customers of Top Rank Consult Services Uganda Ltd. Information solicited by this instrument helped the researcher enhance responses from the self-administered questionnaires and this made it possible for the researcher to cross examine some key issues in the research. The choice of this instrument was made because it was considered a good method for producing data which deals with the topic in depth. Interviewing was also a good method for producing data based on informants' priorities, opinions and ideas. Informants had the opportunities to expand their ideas, explain their views and identify what they regarded as the crucial factors.

Data Analysis

Data was analyzed using SPSS (Nelson et al., 2022). It was presented in form of tables, graphs, pie charts and triangulation. Qualitative data analysis was done by narrative as was recorded during face-to-face interview and through observation. The researcher used a quick impressionist summary in analyzing qualitative data; he summarized key findings by noting down the frequent responses of the respondents during the interview on various issues concerning topic of the study. This technique of qualitative data analysis was chosen because it saves time and it is not very expensive.

RESULTS

Correlation analysis

Table 1 Shows the Relationship between internal audit and fraud management at Top Rank Consults

		Internal audit	Fraud management
Internal audit	Pearson Correlation	1.000	.823**
	Sig. (2-tailed)		.000
	N	35	35

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Fraud management	Pearson Correlation	.823**	1.000
	Sig. (2-tailed)	.000	
	N	35	35

Source: Statistical Package for Social Scientists (SPSS)

The relationship between the variables was tested using Pearson correlation coefficient. This was used because the internal audit and fraud management were assigned numerical values. From the table above, it is clearly indicated that there is a strong relationship between internal audit and fraud management at Top Rank Consults. This is indicated by positive results of Pearson Correlation, where $r = 0.823$, $p < .01$ (Nelson et al., 2023). It therefore implies that internal audit strongly enhances fraud management in Top Rank Consults.

The leadership of Top Rank Consults should therefore continue using internal audit to ensure efficient fraud management.

Table 2: Regression Analysis**Model Summary (b)**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.816(a)	.666	.334	4.107

a Predictors: Internal audit.

b Independent Variable: Internal auditing.

The R-square measures the goodness of fit. Therefore, the R-square 0.666 shows that 66.6% of the variations in the fraud management can be explained by internal audit while only 33.4% can be explained by other factors. Therefore, since R-square $0.666 > 0.5$, hence a good fit.

Table 3: Coefficients (a)

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta	B	Std. Error
1 (Constant)	0.439	0.343		0.730	0.468
Payroll fraud	0.875	0.637	0.815	0.790	.000
Asset misappropriation	0.049	0.882	-0.089	0.189	.001
Financial statement fraud	0.252	0.462	0.041	0.545	0.018
Other factors	0.875	0.437	0.615	0.790	0.234

a. Dependent Variable: Fraud management

The constant 0.439, shows that keeping all other factors constant, fraud management at Top Rank Consults will on average increase by 0.439.

The coefficient 0.875 shows that a unit increase in the internal audit would lead on average to 0.875 decrease in the fraud. The p-value (0.00) < 0.05 (is statistically significant at 95% confidence level); this implies that; internal audit has a significant impact on fraud management expressed in form of payroll fraud.

The coefficient 0.049 shows that a unit increase in internal audit would lead to an average 0.049 increase in management of asset misappropriation fraud. The p-value (0.00) < 0.05 (is statistically significant at 95% confidence level); this implies that; internal audit has a significant positive relationship with the management of asset misappropriation fraud in an organization. The coefficient 0.252 shows that a unit increases in internal audit would lead on average 0.252 increases in the management of financial statement fraud in an organization. The p-value (0.00) < 0.05 (is statistically significant at 95% confidence level); this implies that; internal audit has a significant positive relationship with efficient management of financial statements fraud in organizations (Rashid et al., 2023).

Effect of external auditing on fraud management

Table 4 showing the effect of external auditing on fraud management

Response	Response											
	Strongly agree		Agree		Not sure		Disagree		Strongly disagree		Total	
	F	%	F	%	F	%	F	%	F	%	F	%
External audits helps to discover errors and fraud in the organization	13	37	15	43	3	8	1	4	3	8	35	100
External auditing identifies weaknesses internally and suggests improvements thus managing fraud	23	65	12	35	-	-	-	-	-	-	35	100
External auditing provides validity of accounting process	20	57	12	33	-	-	3	10	-	-	35	100
External auditing provides assurance on the financial	13	37	18	51	1	4	-	-	3	8	35	100

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statements and this minimizes the financial statement fraud												
External auditing helps in improving the efficiency in operations by writing a management letter for improvement	13	37	15	43	3	8	1	4	3	8	35	100

From table 4 above, it can be observed that 13 (37%) of the respondents strongly agreed to the assertion that external auditing discovers errors and fraud in the organization and therefore reduces on such occurrences , 15 (43%) agreed, 3 (8%) were not sure, 1 (4%) disagreed while 3 (8%) strongly disagreed. This implies that indeed external auditing discovers errors and fraud in the organization and therefore reduces on such occurrences to ensure excellent fraud management (Christopher, 2022).

Respondents were also asked whether External auditing identifies weaknesses internally and suggests improvements to be made to reduce on fraud . 23 (65%) strongly agreed, 12 (35%) agreed, and none neither disagreed nor strongly disagreed nor were not sure. Since all of the respondents strongly agreed and agreed to the assertion, it can therefore be stated that external auditing identifies weaknesses internally and suggests improvements to be made to reduce on fraud (Moses et al., 2023).

Further still, 20 (57%) strongly agreed to the assertion that External audit provides validity of the accounting process, 12 (33%) agreed and 4 (10%) disagreed. Neither of the respondents were not sure nor strongly disagreed. This vividly implies external auditing provides validity of accounting process services so as to improve its performance (Ntirandekura & Alex, 2022).

Respondents were asked whether Texternal auditing provides assurance regarding the credibility of financial statement ; 13 (37%) strongly disagreed, 18 (51%) agreed, 1 (4%) were not sure, none disagreed while 3 (8%) strongly disagreed to the assertion. It can therefore be stated that external auditing provides assurance regarding the credibility of financial statement . This enables the organization to present these statements for external stakeholders (Polycarp et al., 2023).

Respondents were also required to comment on whether or not external audit helps in improving efficiency in the operations of the organization by writing a management letter for efficiency 13 (37%) of the respondents strongly agreed to the assertion that the organization gives priority to customer care, 15 (43%) agreed, 3 (8%) were not sure, 1 (4%) disagreed while 3 (8%) strongly disagreed. This implies that indeed external audit helps in improving efficiency in the operations of the organization by writing a management letter for efficiency (Annet et al., 2023).

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Effect of internal control activities on fraud management.

Respondents were asked to describe the role of internal control activities on fraud management. The responses are presented in the table below;

Table 5 showing the role of internal control activities on fraud management

Role of internal control activities on fraud management	Response											
	Strongly agree		Agree		Not sure		Disagree		Strongly disagree		Total	
	F	%	F	%	F	%	F	%	F	%	F	%
Top Rank Consults maintains physical controls of all assets	23	65	12	35	-	-	-	-	-	-	35	100
Equipment in use are properly maintained and controlled	20	57	12	33	-	-	3	10	-	-	35	100
Information processing is accurately controlled	13	37	14	41	3	10	1	4	3	10	35	100
Physical controls of assets have improved fraud management	23	65	12	35	-	-	-	-	-	-	35	100
Physical control of facilities and equipment are efficient and effective	20	57	12	33	-	-	3	10	-	-	35	100
Information processing control enhances fraud management	23	65	12	35	-	-	-	-	-	-	35	100

Source: Primary data 2021

Table 5 above shows that 23 (65%) strongly agreed to the assertion that Top Rank Consults maintains physical controls of all assets, 13 (33%) agreed, and none neither disagreed nor strongly disagreed nor were not sure.

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Since all of the respondents strongly agreed and agreed to the assertion, it can therefore be stated that for a company to perform well, it is paramount to establish and maintain physical controls like perimeter walls, security guards, biometric systems, checkpoints (Brighton et al., 2023).

Further still, 20 (57%) strongly agreed to the assertion that all equipment in use are properly maintained and controlled, 12 (33%) agreed and 3 (10%) disagreed. Neither of the respondents were not sure nor strongly disagreed. It can therefore be stated that equipment like cars, etc should be properly maintained and controlled to avoid wastage and misuse and improve fraud management (Oromo et al., 2023).

Furtherstill, 13 (37%) strongly disagreed to the assertion that information processing is accurately controlled, 16 (41%) agreed, 4 (10%) were not sure, none disagreed while 4 (10%) strongly disagreed to the assertion that information processing should be accurately controlled so that documents like receipts, vouchers and correspondents are executed by the mandated officials, to ensure positive fraud management (Faridah et al., 2023).

Respondents were asked to respond as to whether physical controls of assets have improved fraud management. 26 (65%) of the respondents strongly agreed; and 14 (35%) agreed to the assertion. None respondents disagreed nor were unsure. This implies that indeed, physical controls are paramount in ensuring that the organization's performance is not interapted by outside violators like thieves, climatic hazards, access of property and assets by unauthorized individuals, etc (Mark et al., 2023)

Respondents were futher asked whether the physical controls of Top Rank Consults are effective and efficient., 23 (57%) of the respondents strongly agreed that physical controls of Top Rank Consults are effective and efficient, 13 (33%) agreed while 4 (10%) were not sure. None of the respondents disagreed. This implies that indeed efficient and effective physical controls are paramount for the efficeint fraud management (Ntirandekura et al., 2022).

Respondents were finally asked whether information processing control enhances fraud management 23 (65%) strongly agreed to the assertion that Top Rank Consults maintains controls on information processing, 13 (33%) agreed, and none neither disagreed nor strongly disagreed nor were not sure. Since all of the respondents strongly agreed and agreed to the assertion, it can therefore be stated that for a company to perform well, it is paramount to establish and maintain physical controls on its information processing to curb fraud and other dangers (Ntirandekura & Christopher, 2022).

Conclusions

The researcher also concludes that auditing which includes internal audit, external auditing and internal control activities are paramount for the control of fraud in organizations.

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The study further concludes that internal auditing enables the company to master its profitability, increase its sales volume and position itself to be more competitive in the market.

Recommendations

- The researcher therefore recommends that Top Rank Consults should implement an effective internal auditing department to ensure that it never declines in their fraud management.
- The study recommends that organizations should ensure they have enough controls and procedures to facilitate their smooth operations.

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