

**EXTERNAL AUDITING AND THE FINANCIAL PERFORMANCE OF
SSUBIRYO MICRO FINANCE, KAMPALA**

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ABSTRACT

The study aimed at external auditing and the financial performance of Ssubiryo micro finance, kampala 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. The descriptive design was adopted, which aimed at examining the impact of external auditing on the financial performance of organizations in Uganda. A descriptive research design was adopted for the study since it focuses on the people as well as their attributes which enable the investigator to understand and examine the influence of external auditing on financial performance. This was achieved using a survey questionnaire, observation schedule, and document analysis. The study population will concentrate on accountants, auditors, Managers and employees in Ssubiryo Micro Finance. From the findings, the 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. 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.

Key words: external auditing, financial and performance

Background to the study

Organizational performance includes three specific areas of corporate performance: financial performance (profit, return on assets, return on investment, etc.) (Innocent et al., 2023); product market performance (sales, market share); shareholder return (total shareholder return, economic value added, etc.). Organizations in Uganda are established for the benefit of the public. The main reason for their establishment is to streamline the registration and coordination of organizations (Moses et al., 2023). According to Machuki and Oketch (2013), organizations such as non-governmental organizations (NGOs) are considered to be voluntary groupings of individuals

or associations that organize themselves locally or internationally for public benefit and are not run for profit or commercial enterprise (Musaibah et al., 2023). They also support charity, welfare, development or research in areas including education, agriculture (Allan et al., 2023), health, aid, industry and the provision of equipment and services. However, they are not limited to these areas; they have broad coverage based on the needs of their stakeholders (Polycarp et al., 2023). In order for society to make any economic decisions, it is essential that this vital information is based on the data available at the time of the decision (Annet et al., 2023). For Ssubiryo Micro Finance,

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decisions such as obtaining a loan for a business are based on previous financial relationships with the corporation, the financial situation of the business as shown in financial statements among others (Alex & Kazaara, 2023). For decisions to be consistent with the bank's intent, such information used in the decision-making process must be reliable (Ramadhan et al., 2023). Unreliable information can lead to inefficient use of resources to the detriment of various stakeholders. For example, in a loan decision, assuming the decisions are made due to misleading funds and the company

Statement of the problem

The demand for external audit in the current economic environment exists in communicating financial information to various stakeholders (Winny et al., 2023). The primary concern of the external auditor is risk management, as any risk that may adversely affect the company has the potential to affect the results reported in the financial statements. Planning and conducting an audit (Richard, B, & T, 2022). There is a wide range of criticisms of the work of external auditors, particularly due to their failure to fulfill expected duties or perform them according to expected standards (Christopher, Muhindo, et al., 2022). Auditors have been accused of performing a poor quality audit due to a lack of professional competence and independence, not devoting sufficient time and compliance with competent standards and regulations (Innocent et al., 2023). There have been many reports of a loss of confidence in the work of external auditors, which results in a decrease in the confidence of society in the audit profession as a whole, which also results in the audit function (Wegulo et al., 2023). These negative views resulted from a mismatch between the expectations they have of audit work and what

defaults on the borrower, it would result in the financial institution losing both the principal and the interest charged on the loan. This therefore means that another party who could have benefited from the funds is deprived of such an opportunity (Gracious, 2023).

A reliable method of obtaining such reliable information is verification (audit) performed by independent individuals. The audited data is then applied in decision-making, provided that it is correct, complete, accurate and undistorted data (Alex et al., 2023).

they believe they deliver, otherwise referred to as the "audit expectation performance gap" (Ntirandekura et al., 2022). The collapse of major companies such as Enron, Parmalat, Xerox, Cable and Wireless Networks, and WorldCom, which enjoyed healthy financial performance during the 1990s, led to growing concerns about the quality of audit work (Innocent et al., 2023). In 2001, it was revealed that WorldCom and Enron management had colluded with their auditors to engage in "creative" financial reporting and the use of dubious accounting practices, manipulating their financial statements to escape growth and profitability when in fact they were losing money (Christopher, Komunda et al., 2022). Financial statements tell stories, and upon careful examination and analysis, the stories do not add up. External auditors are required to identify cases of fraud and other financial misconduct and report them to the board and management, but sometimes they do not fulfill this duty as expected (Frank et al., 2023). The impact of external audit and financial performance of organizations in Uganda has not been fully utilized (Christopher, Moses, et al., 2022). This has been seen in the many cases of

errors, intent to defraud and other fraudulent practices that exist in businesses. It is therefore not surprising that the distress in the organizations sub-sector in the 1990s reflected the lack of effective control mechanisms of the audit function in the

field. It is against this background that this study seeks to empirically evaluate the impact of external audit on improving the financial performance of organizations in Uganda (Ntirandekura & Christopher, 2022).

Objectives of the study

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.

Methodology

The descriptive design was adopted, which aimed at examining the impact of external auditing on the financial performance of organizations in Uganda. A descriptive research design was adopted for the study since it focuses on the people as well as their attributes which enable the investigator to understand and examine the influence of external auditing on financial performance. This was achieved using a survey questionnaire, observation schedule, and document analysis. The study population will concentrate on accountants, auditors, Managers and employees in Ssubiryo Micro Finance. 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. 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 Ssubiryo Micro Finance in Kampala 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. Self-Administered Questionnaires (SAQ) was employed to gather data from the study elements in a structured manner. SAQs with one open ended question per section was designed for Ssubiryo micro finance employees to give additional or express their mind while the rest was close-ended aimed at testing perception using a five-point likert scale measuring from Strongly Disagree as response 1, Disagree as response 2, Not sure as response 3 Agree as response 4 and Strongly Agree as response 5 for easy measurements of variables (Jackson, 2009). Initially, data was entered into MS Excel computer program for cleaning. The data was also imported to SPSS version 23 statistical software for investigation (Nelson et al., 2022). Quantitative data analysis entailed descriptive statistics and inferential statistics. Descriptive statistics involved 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. Quantitative data was

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analyzed by reporting of summary results in numerical terms and was presented using a percentage distribution technique but maintaining a specified degree of confidence (Creswell, 2013). While Qualitative data was analyzed in the form of texts and themes, yet impressions was examined and presented using descriptive methods for in depth analysis to be generated from views of the respondents and to allow the reader to make their

	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

opinions freely (Bryman & Bell, 2003).

RESULTS

Findings on the Effect of Verification of accounting data on the Performance of organisation

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
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Percentage of responses	%	2	5	10	48	35	100
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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 (Richard, B, Janice, et al., 2022)

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Findings on the Effect of Internal control on the Performance of Ssubiryo micro finance

	Ranking	1	2	3	4	5	
Statement		S	D	U	A	SA	Total
Enables the Ssubiryo micro finance 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 policies	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
Helps in ensuring completeness and accuracy of the accounting records maintained	Freq	1	0	3	9		19
	%	5	0	16	47		100

Data source: Primary data.

According to the above table, the responses on the effect of internal control on the performance of Ssubiryo micro finance 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 (Akankwasa et al., 2022).

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.

The findings also indicate that External audit holds a significant implication on accountability, quality service delivery and economic efficiency as shown by the percentages and frequencies of concession or agreement by the respondents respectively.

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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