

EVALUATING THE IMPACT OF INTERNAL AUDIT ACTIVITIES ON ORGANIZATIONAL PERFORMANCE, A CASE STUDY OF CENTENARY BANK**1 Nsungwa Annet, 2 Irumba Alex, 3 Babirye Shamirah****1, 2, 3 Metropolitan International University****ABSTRACT**

The study aimed at evaluating the impact of internal audit activities on organizational performance and it was guided by the following objectives; To examine the relationship between risk assessment and organizational performance of Centenary Bank, to find out the role of quality management on organizational performance of Centenary Bank and to evaluate the role of control activities on the organizational performance of Centenary Bank. The study employed a descriptive correlation and cross-sectional survey design. The study adopted a survey research design because data was collected from respondents at a particular time. The participants in the study were selected using purposive sampling method and simple random sampling. From the findings, the constant 2.439, shows that keeping all other factors constant, performance of Centenary Bank was on average increase by 2.439. The coefficient 6.875 shown that a unit increase in the risk assessment would lead on average to 6.875 increases in the performance of an organization. The p-value (0.00) <0.05 (is statistically significant at 95% confidence level); this implied that; risk assessment had a significant impact on organizational performance expressed in form of profitability. The study recommends that organizations should be cautious when accumulating the internal controls because it may affect its profitability in the long run.

Key words: internal audit activities, organization and performance**Background of the study**

Globally, the internal auditing profession evolved steadily with the progress of management science after World War II. It is conceptually similar in many ways to financial auditing by public accounting firms, quality assurance and banking compliance activities (Micheal et al., 2023). While some of the audit technique underlying internal auditing is derived from management consulting and public accounting professions, the theory of internal auditing was conceived primarily by Lawrence Sawyer (1911–2002), often referred to as "the father of modern internal auditing; and the current philosophy, theory and practice of modern internal auditing as defined by the International

Professional Practices Framework (IPPF) of the Institute of Internal Auditors owes much to Sawyer's vision (Innocent et al., 2023).

Countries in the East African region have established internal audit functions that differ in size, structure and mandate. In some countries, all internal auditors in central government and sub national governments are employees of the Ministry of Finance (MoF). In other countries, they are employed by the ministries in which they work. In all countries except Eritrea, there is a central internal audit unit in the MoF responsible for supervising government-wide internal audit

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services and providing guidance on good practices, training and other support (Alex & Kazaara, 2023). In Uganda, internal auditing practice is a “luxury” enjoyed only by the huge companies/organizations. Examples of such companies include MTN, Airtel Uganda, Centenary bank, Equity bank and many other significant market players in the economy. This is because most managers believe that the work of the internal auditor can well be done by the accountant (Kazaara & Christopher, 2023).

Centenary bank is one of Uganda’s leading commercial banks with a customer base of over 1,000,000 clients and a portfolio of over a trillion Ugandan shillings. Centenary bank has grown into a well-known household brand over the years, and has greatly captured the support of the banking market. The bank currently operates a broad product portfolio comprising of loans, savings, overdraft and other banking services (Allan et al., 2023).

Statement of the problem

Internal Auditing has become crucial in understanding the accounting maneuvers that have emerged in financial statements. This has been compromised of checking accuracy of financial statements, counting assets, prepayment verification and control and reporting to various types of management (Akankwasa et al., 2022).

Objectives of the study

1. To examine the relationship between risk assessment and organizational performance of Centenary Bank.
2. To find out the role of quality management on organizational performance of Centenary Bank.
3. To evaluate the role of control activities on the organizational performance of Centenary Bank.

Trotman and Trotman (2015) find out that, internal auditing plays an important role in the disclosure and reporting of greenhouse emissions and energy consumption. According to Ma'ayan and Carmela, (2016), while the prevention and identification of fraud cases can be achieved through direct action of internal audit, the indirect influence of promoting the ethical culture in organisations also part of this added advantage (Polycarp et al., 2023). Ideally Internal auditing as part of the company's Internal control system, assessed the efficiency, effectiveness and fairness in realization of tasks and prompts effectiveness of risk management with the aim of enhancing growth at Centenary Bank. Despite the fact that Centenary Bank has been subjected to Internal auditing, it has registered financial mismanagement due to poor accountability and bureaucracy in the accounting department as well as corruption thus resulting into a financial loss (K. Moses et al., 2023). According to Micha Asiku and Albert Mwesigwa (scorecard report FY 2018/2019), Centenary Bank has been subject of poor monitoring of credit programs, delayed execution of duties and limited follow up of its customer needs and inquiries. Thus, if these issues are not addressed, they will lead to poor service delivery to its customers (Christopher, Komunda, et al., 2022). Therefore, this study aims at evaluating the role of internal auditing on organizational performance at Centenary Bank.

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Research questions

1. What is the relationship between risk assessment and organizational performance of Centenary Bank?
2. What is the role of quality management on organizational performance of Centenary Bank?
3. What is the role of control activities on organizational performance of Centenary Bank?

Methodology**Research design.**

The study employed a descriptive correlation and cross-sectional survey design. The study adopted a survey research design because data was collected from respondents at a particular time. This research survey design according to among (2015) was helpful to the researcher to attain systematic data from the sample. Correlation was necessary to explain the relationship between variables. Purposive sampling was used to ensure that respondents with the right information were selected to participate in this study. Quantitative and qualitative approaches were used because they would help to ensure that the data collected was quantitatively analysed and descriptively interpreted.

Study population.

The study population comprised of 40 respondents purposively selected from the management and employees of Centenary Bank in Uganda.

Sample size.

The sample size of the study was determined according to Slovene's formulate of sample determination. Under this, a target population of 40 but was zeroed down to a sample size of 35 respondents respectively as stated by Slovene's (1978).

Table 1: Sample size of Respondents and Sampling Technique

Respondents	Population size	Sample size	Technique
Staff members	30	27	Simple random
Auditors	10	08	Purposive sampling
Total	40	35	

Sampling techniques and procedures.

The participants in the study were selected using purposive sampling method and simple random sampling. Purposive sampling was the best because it involved selecting participants who posed the required characteristics and qualities as defined by researcher (Gay, 2016)

Simple random sampling

Random sampling is a part of the sampling technique in which each sample has an equal probability of being chosen. It is done by generating a simple random sample through obtaining an exhaustive list of a large population and then selecting at random a certain number of individuals to compromise a certain sample.

Simple random sampling is representative of the population, it was totally free from bias and prejudice and simple to use.

However, this method carries larger errors from the same sample size than that are found in stratified sampling. In simple random sampling, the selection of sample becomes impossible if the units or items are widely dispersed.

Data analysis.

Data analysis involved arranging, sorting and organizing data and later attached meaning to create a sensible meaning that reflects findings, Patton (2017). This study involved both qualitative and quantitative data and each was analysed

Quantitative data analysis.

In analysing quantitative data, the data was sorted as per its allocated codes and entered into a statistical package known as statistical package for social scientists, (SPSS) to generate both descriptive and inferential statistics that created the mean, mode and median; the variance, standard deviation, frequencies and percentages (Nelson, Christopher, & Milton, 2022). These were arranged in the table and later explained by the researcher on what they were meant as per the set objectives and their implications in the study, (Oso & Onen, 2018).

Qualitative data analysis.

Through use of content and thematic analysis, qualitative data were analysed and the findings were related to the study objectives and findings. The verbatim captions were tabulated in shorter sentences and pulling out key words that explained a certain phenomenon, (Sekaran,2013). These key words were used by the researcher to explain the occurrences that the study found out to answer the concerns that were raised inform of study objectives and answering research questions.

RESULTS

Relationship between Risk Assessment and Organizational Performance

The respondents were asked to describe the Risk Assessment as an aspect of internal auditing, on the performance of Centenary Bank Ltd. The results are presented with correlation analysis and regression analysis as shown below:

Correlation analysis

Table 1 Shows the relationship between risk assessment and organizational performance of Centenary Bank

	ssessment	Organizational Performance
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Risk Assessment	Pearson Correlation (2-tailed)	1.000	.823** .000
	N	63	63
Organizational Performance	Pearson Correlation (2-tailed)	.823** .000	1.000
	N	63	63

Source: Statistical Package for Social Scientists (SPSS)

The relationship between the variables was tested using Pearson correlation coefficient. This was used because the risk assessment and organizational were assigned numerical values. From the table above, it is clearly indicated that there is a strong relationship between risk assessment and organizational performance in Centenary Bank. This is indicated by positive results of Pearson Correlation, where $r = 0.823$, $p < .01$ (Kazaara & Christopher, 2023). It therefore implies that risk assessment strongly affects organizational performance in Centenary Bank.

The leadership of Centenary Bank should therefore continue assessing its risks to ensure smooth running and excellent performance of the organization.

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: Risk assessment.

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 performance of an organization can be explained by risk assessment while only 33.4% can be explained by other factors. Therefore, since $R\text{-square } 0.666 > 0.5$, hence a good fit (Nelson et al., 2023).

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	2.439	3.343		.730	.468

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Profitability	6.875	.637	.815	10.790	.000
Increased sales	1.049	.882	-.089	4.189	.001
Service delivery	.252	.462	.041	2.545	.018
Other factors	4.875	.437	.615	8.790	.234

a. Dependent Variable: Organizational Performance

The constant 2.439, shows that keeping all other factors constant, performance of Centenary Bank will on average increase by 2.439.

The coefficient 6.875 shows that a unit increase in the risk assessment would lead on average to 6.875 increases in the performance of an organization. The p-value (0.00) < 0.05 (is statistically significant at 95% confidence level); this implies that; risk assessment has a significant impact on organizational performance expressed in form of profitability.

The coefficient 1.049 shows that a unit increase in risk assessment would lead to an average 1.049 increase in sales volume. The p-value (0.00) < 0.05 (is statistically significant at 95% confidence level); this implies that; risk assessment has a significant positive relationship with the sales volume of an organization (Kazaara & Christopher, 2023).

The coefficient 0.252 shows that a unit increases in risk assessment would lead on average 0.252 increases in the service delivery of an organization. The p-value (0.00) < 0.05 (is statistically significant at 95% confidence level); this implies that; risk assessment has a significant positive relationship with efficient service delivery.

Effect of quality management on organizational performance

Table 3 showing the effect of quality management on organizational performance

Response	Response											
	Strongly agree		Agree		Not sure		Disagree		Strongly disagree		Total	
	F	%	F	%	F	%	F	%	F	%	F	%
Centenary Bank has policies that allow continuous quality improvement	13	37	15	43	3	8	1	4	3	8	35	100
Centenary Bank offers training to staff on quality improvements	23	65	12	35	-	-	-	-	-	-	35	100

Centenary bank compares its processes and products with the market leaders	20	57	12	33	-	-	3	10	-	-	35	100
Centenary bank has policies for handling customer complaints	13	37	18	51	1	4	-	-	3	8	35	100
Customer care is given a priority by the management of Centenary bank	13	37	15	43	3	8	1	4	3	8	35	100
Centenary bank compares its customer service with other firms in the industry	23	65	12	35	-	-	-	-	-	-	35	100
The top management recognizes quality management	20	57	12	33	-	-	3	10	-	-	35	100
The top management trains the staff on quality of products and services	13	37	18	51	1	4	-	-	3	8	35	100

Source: Primary data 2021

From table 3 above, it can be observed that 13 (37%) of the respondents strongly agreed to the assertion that Centenary Bank has policies that allow continuous quality improvement, 15 (43%) agreed, 3 (8%) were not sure, 1 (4%) disagreed while 3 (8%) strongly disagreed. This implies that indeed Centenary Bank has policies that allow continuous quality improvement to ensure excellent organizational performance (Ntirandekura et al., 2022).

Respondents were also asked whether Centenary Bank offers training to staff on quality improvement. 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 Centenary Bank offers training to staff on quality improvement (Ntirandekura, 2022).

Further still, 20 (57%) strongly agreed to the assertion that Centenary Bank compares its processes and products with the market leaders, 12 (33%) agreed and 4 (10%) disagreed. Neither of the respondents were not sure nor strongly disagreed. This vividly implies Centenary Bank compares its processes and products with the market leaders services so as to improve its performance (Gracious, 2023).

Respondents were asked whether Centenary Bank has policies for handling customer complaints; 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 Centenary Bank has policies for handling customer complaints. This enables the bank to evaluate the quality of its services based on customer feedback (Nelson, Christopher, Teddy, et al., 2022).

Respondents were also required to comment on whether or not customer care is given a priority by the management of the bank 13 (37%) of the respondents strongly agreed to the assertion that the bank 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 customer care is a very important element of quality management of an organization (Ntirandekura & Alex, 2022).

Respondents were also asked whether Centenary Bank compares its customer service with other firms in the industry. 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 Centenary comparing an organization's customer service with the competitors in the industry makes a good component of quality management of an organization.

Further still, 20 (57%) strongly agreed to the assertion that top management recognizes quality management, 12 (33%) agreed and 4 (10%) disagreed. Neither of the respondents were not sure nor strongly disagreed. This vividly implies that quality management is only possible when management is committed to quality management (Christopher, Moses, et al., 2022).

Finally, respondents were asked whether top management trains staff on quality of products and services; 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 quality management involves training of staff on quality of product services to ensure excellent performance of the organization.

Table 4 showing the role of control activities on organization performance

Role of control activities on organizational performance	Response											
	Strongly agree		Agree		Not sure		Disagree		Strongly disagree		Total	
	F	%	F	%	F	%	F	%	F	%	F	%
Centenary bank 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 organizational performance	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 organizational performance	23	65	12	35	-	-	-	-	-	-	35	100

Source: Primary data 2021

Table 4 above shows that 23 (65%) strongly agreed to the assertion that Centenary Bank maintains physical controls of all assets, 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 like perimeter walls, security guards, biometric systems, checkpoints.

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 organizational performance (Tasha 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 organizational performance.

Respondents were asked to respond as to whether physical controls of assets have improved organizational performance. 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 (T. Moses, 2023)

Respondents were futher asked whether the physical controls of Centenary Bank are effective and efficient., 23 (57%) of the respondents strongly agreed that physical controls of Centenary Bank 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 performance of an organization.

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Respondents were finally asked whether information processing control enhances organizational performance 23 (65%) strongly agreed to the assertion that Centenary Bank 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.

Conclusions

Findings reveal that there is a positive relationship between risk assessment and organizational performance. The study further concludes that organizations should manage their risk strategically to avoid loss of business to their competitors. The researcher also concludes that internal auditing which includes risk assessment, quality management and internal control activities are paramount for the survival and profitability of the organization

Recommendations

The researcher therefore recommends that Centenary Bank should implement an effective internal auditing department to ensure that it never declines in their organizational performance. The study recommends that organizations should be cautious when accumulating the internal controls because it may affect its profitability in the long run. The study recommends that organizations should equally be cautious when implementing their internal audit because it may increase administrative costs of the organization

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