

A STUDY ON THE IMPACT OF AUDIT PRACTICES ON MANAGING FRAUD IN ORGANIZATIONS, A CASE STUDY OF TOP RANK CONSULTS, KAMPALA**1 Ssenyonga Zubairi, 2 Zikusooka Enock, 3 Asiimwe Isaac Kazaara****1, 2, 3 Metropolitan International University****ABSTRACT**

The study aimed at the study on the impact of audit practices on 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. 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. 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. From the findings, 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 researcher therefore recommends that Top Rank Consults should implement an effective internal auditing department to ensure that it never declines in their fraud management.

Key words: audit practices, management, fraud and organizations**Background of the study**

In Europe the primary signs of Audit works are found in old Rome, and were through hearings, where checks were made of record keepers and their financial records, intended to avoid deceptive acts (Akankwasa et al., 2022). The task of listening to the

accounting records led to the term audit, beginning from the Latin word audits or auride, which implies a hearing or to hear/tune in. These hearings assumed a critical part around then, since very few individuals could read and express (Polycarp et al., 2023).

The investigators were chosen by the group and were required to be able and proficient in perceiving misrepresentation and mistakes by hearing (Alkhasa and Abdul Basit Ahmad, 2017; Stewart, and Subramaniam, 2018; Deisenhofer, 2018). In Africa,

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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 (Moses 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 (Kaziba, et al., 2019) as it was amidst this period that Uganda, as a young Independent State was setting up projects to rebuild the general commercial Administration with a specific end goal to improve responsibility, straightforwardness and corporate administration (Moses et al., 2023). The key ideas of this investigation are Audit practices and fraud management in organizations. The motivation behind audit is to guarantee as extra shield for appropriate resource control in the Commercial Sector, and for this reason, every Local

Government is required to build up an audit section (Micheal et al., 2023). This is so because Audit is in charge of the review of every financial resource, via completing a consistent examination of all accounting books and records kept up in the association with a view to checking or discovering deception reviewing mistakes. Top Rank Consult Services Ltd is a company limited shares under the laws of Uganda and they are specialists in water proofing and handle issues like leakages and dampness. They are located on Luwumu Street Plot 08, Kampala Uganda (Alex & Kazaara, 2023). Top Rank Consult Services Ltd hires both internal and external auditors to check the authenticity of its financial transactions. One of the main factors affecting Uganda's commercial sector is the rampant fraud. Almost every day, reports of employees defrauding their employers are expected and this affects their performance (Tasha et al.,

2023). Although a few cases are reported and prosecuted, there are thousands of cases which go un-noticed 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.

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 (Innocent 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 (Musaibah et al., 2023). Recently, management experts

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have recommended every organization to hire qualified auditors to routinely check the financial transactions of their organizations so that companies are protected against internal financial mismanagement of funds (Racheal et al., 2023). However, even with audit

departments in place in many organizations in Uganda, companies still continue to grapple with the challenge of fraud (Winny et al., 2023). Often times, the cases of fraud are detected when it is already late and, in some cases, auditors have connived with other staff to defraud the

company which has hired them to have an oversight role and to act as an internal check. This study will therefore analyze the effect of audit practices on fraud management in Top Rank Consult Services Ltd, Uganda

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?
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,

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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.

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

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summarized key findings by noting down the frequent responses of the respondents during the interview on various issues concerning topic of the study.

RESULTS

Relationship between internal audit and fraud management

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**
	(2-tailed)		.000
	N	35	35
Fraud management	Pearson Correlation	.823**	1.000
	(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 $r = 0.823$, $p < .01$. It therefore implies that internal audit strongly enhances fraud management in Top Rank Consults (Nelson et al., 2023).

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

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.

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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.

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 (Ronald et al., 2023).

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.

Effect of external auditing on fraud management

Table 2 showing the effect of external auditing on fraud management

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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 statements and this minimizes the financial statement fraud	13	37	18	51	1	4	-	-	3	8	35	100
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 2 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 (Ntirandekura et al., 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

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the assertion, it can therefore be stated that external auditing identifies weaknesses internally and suggests improvements to be made to reduce on fraud .

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. 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.

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.

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 3 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

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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 3 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. 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 (Ronald 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 (Sharon et al., 2023). 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. 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.

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 (Kazaara et al., 2023). None respondents disagreed nor were unsure. This implies that indeed, physical controls are paramount in ensuring that the organization's performance is not interupted by outside violators like thieves, climatic hazards, access of property and assets by unauthorized individuals, etc (Emmanuel et al., 2023). Respondents were further 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

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(10%) were not sure. None of the respondents disagreed. This implies that indeed efficient and effective physical controls are paramount for the efficient fraud management (Emmanuel et al., 2023).

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 (Ramadhan et al., 2023).

Conclusions

Findings reveal that there is a positive relationship between internal audit and fraud management

The study further concludes that organizations should manage their fraud strategically to avoid loss of business to their competitors.

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.

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 be cautious when accumulating the internal controls because it may affect its profitability in the long run.

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