

Internal Auditing And Fraud Prevention In Organizations. A Case Study Of Equity Bank Kampala Area

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ABSTRACT

The purpose of the study was on internal Auditing and fraud prevention at equity bank areas in kampala. the study was based on the results from 50 respondents who presented accurate data to the researcher out of the sample size of 60 respondents. the study was guided by the objectives which were to assess the relationship between recording and fraud prevention at equity bank kampala area to find out the relationship between monitoring and fraud prevention at equity bank kampala area, to determine the relationship between book keeping and fraud prevention at equity bank kampala area, to examine the relationship between internal auditing and fraud prevention at equity bank kampala area. There was a high relationship between recording and fraud prevention followed by a few of the respondents who presented results to the researcher indicating that there was a low relationship between recording and fraud prevention in the organization. Some of the respondents however presented result tom the researcher indicating that there was no relationship between recording and recording and fraud prevention and finally one of the respondents however presented results indicating that they were not sure on whether there was a relationship between recording and fraud prevention. The respondents presented results indicating that there was a high relationship between recording and fraud prevention followed by some of the respondents who presented results to the researcher indicating that there was a low relationship between recording and fraud prevention in the organization. Some of the respondents however presented result tom the researcher indicating that there was no relationship between recording and recording and fraud prevention and finally a few of the respondents however presented results indicating that they were not sure on whether there was a relationship between recording and fraud prevention.

Keywords: internal auditing, fraud prevention and organizations

Background of the Study

The internal audit system is a critical component of bank management and the basis for the safe and sound functioning of banking organizations (Alex & Kazaara, 2023). A strong internal audit system can help ensure that the goals and objectives of the banking organization are met, that the bank achieves long-term profitability goals and maintains reliable financial and managerial reporting (Racheal et al., 2023). Internal auditing is performed by professionals with deep knowledge of an organization's culture, systems, and processes in an effective and efficient manner to ensure that the organization's goals are met (Christopher et al., 2022). While internal auditors are typically accountants, these activities can also be performed by professionals who are well versed in the company's function and relevant regulatory requirements. An audit can therefore be defined as an independent examination of the expression of opinion on the financial statements of an enterprise by an appointed auditor in accordance with that appointment and in accordance with any relevant paper obligation. Committee on Auditing Practice (Innocent et al., 2023). An effective internal audit function is a valuable resource to management and the board or its equivalent and the audit committee because they

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understand the organization and its culture, operations and risk profile. The objective skills and knowledge of competent internal auditors can significantly add value to organizational processes of internal control, risk management and governance (K. Moses et al., 2023).

According to the Basel Committee (2018), companies need to reconcile all accounts that could contain a material or material misstatement and post any necessary adjustments to the general ledger in a timely manner. Necessary adjustments include all identified general ledger items that, individually or in the aggregate, are material or material to the financial statements, with the most necessary adjustments being those that would result in a material (material) misstatement if not recognized. The company should also analyze all unreconciled accounts and unposted identified general ledger adjustments to determine their effect and potential for financial misstatement or material deficiency or material weakness (Ramadhan et al., 2023).

Corporate governance is the system by which companies are managed and controlled and deals with the creation of structures and distribution of responsibilities within companies (Juleff and Paton, 2017). The basis of effective operational risk management is a proper internal management framework (Faridah et al., 2023). The tone at the top provides the cornerstone of ethical behavior throughout the organization (Právo, 2018). When top management embraces core values and a strong ethical culture, an ethical environment is created that helps strengthen employees' ethical perceptions and behaviors at work (Law, 2019).

Problem Statement

The regularity of fraud and misappropriation of funds creates fear, anxiety and loss of confidence in the minds of joint stock bank customers (Gracious, 2023). Since internal audits operate in an environment that affects their functioning, due care must be taken in the implementation of these audits to achieve the highest objective of the financial institution (K. Moses et al., 2023). This increased interest in internal auditing is in part a result of the significant losses that can occur in several organizations as a result of fraud. Analysis of the problems related to these losses in financial institutions can only be maintained through effective internal auditing. A proper internal audit is one of the main means of fraud management. According to (Tasha et al., 2023), the internal audit activity should monitor and evaluate the effectiveness of the organization's risk management system.

The National Social Security Fund (NSSF) has been operating in Uganda for a long time and is known for collecting Pay As You Earn (PAYE) from both government and private sector employees. In 2021, Uganda's 11th Parliament came up with a bill to amend the Joint Stock Bank Act to allow customers who have saved with it for more than 10 years to receive money, the National Social Security Fund received criticism from local people after they were informed officials of Equity Bank that money is not available for all mandatory customers (Victor et al., 2022). This clearly demonstrated fraud and it was on this basis that the researcher decided to conduct a study on the impact of internal audit on fraud prevention in the Kampala National Social Security Fund area.

Purpose of the study

The main objective of the study was carried on the influence of internal Auditing on fraud prevention in organizations.

The study was guided by the following objectives

1. To assess the relationship between recording and fraud prevention at equity bank kampala area
2. To find out the relationship between monitoring and fraud prevention at equity bank kampala area
3. To determine the relationship between book keeping and fraud prevention at equity bank kampala area.
4. To examine the relationship between internal auditing and fraud prevention at equity bank kampala area

Methodology

This study included the Quantitative design which was good at describing characteristics of variables in a situation. According to Best and Khan (2019), descriptive survey design was concerned with conditions or relationships that existed, opinions that were held, processes that were going on, effects that were evident, or trends that were developed. (Kerlinger,1969). The descriptive survey design enabled collection of data without manipulating the research variables. According to Wikipedia (2021) population refers to all the inhabitants of a particular place. The target population of the study was at the headquarters of National Social Security Fund. The target population was comprising of over 70 Auditors. This target population enabled the researcher to gather concrete information for the study.

Table 1: Target Population

Respondents	Target Population
Auditors	70
Total	70

A sample is a smaller pressure of subjects obtained from the accessible population (Mugenda and Mugenda, 2019). The study employed Mugenda and Mugenda (2019) who recommended sample size of at least 60% of the target population. The researcher used the above formula to determine the sample size for the 70 respondents.

Table 2: Sample Size

Respondents	Target Population	Sample Size
Auditors	70	60

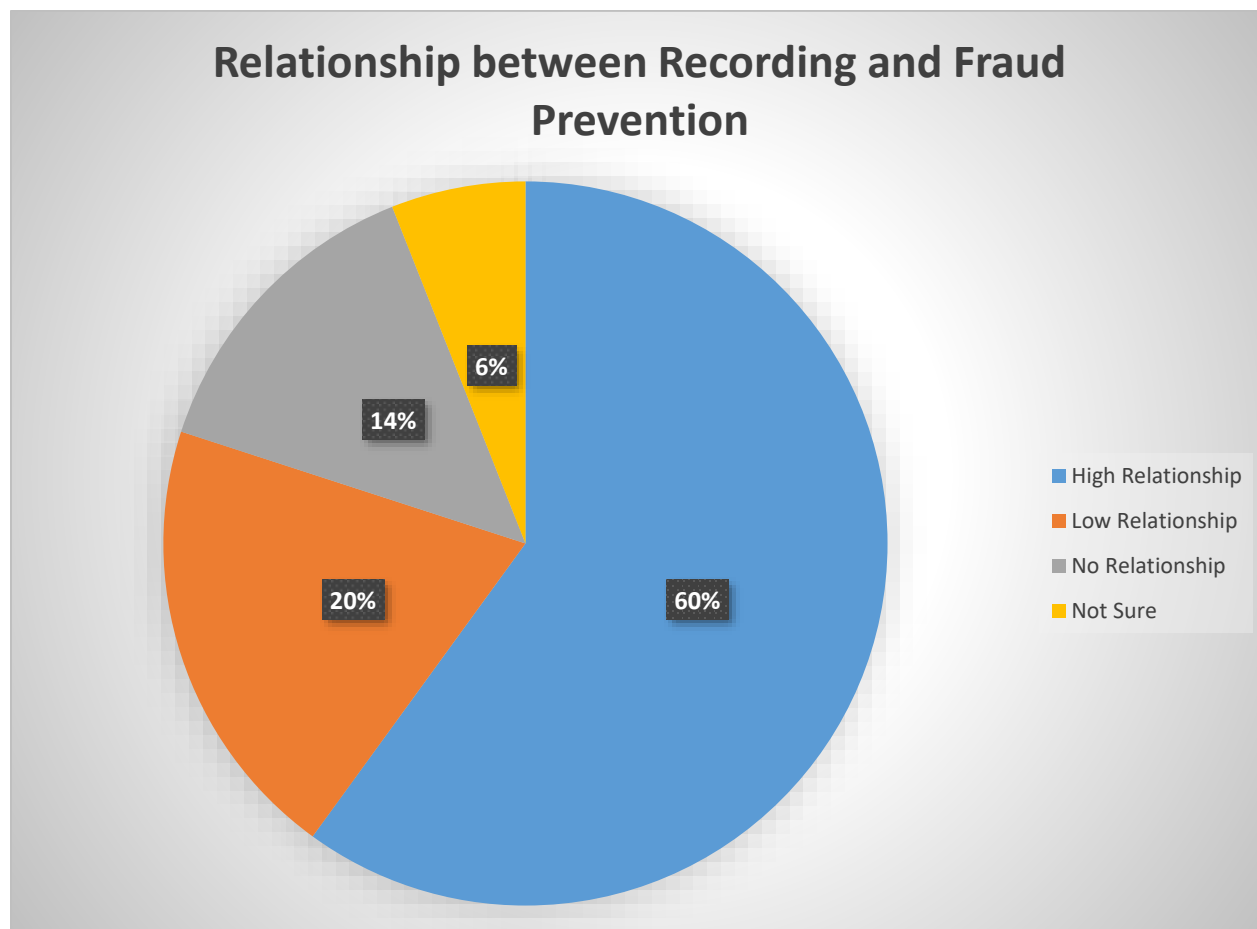
Total	70	60
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Sampling was the process of selecting a number of individuals for a study in such a way that the individuals selected represented the large pressure from which they were selected Mugenda and Mugenda, (2013). The researcher used random sampling technique to select the sample size from individuals. A sampling frame was designed by the researcher and distributed to the target population. This enabled every member of the accessible population to have equal chance of participating in the study. The researcher used questionnaires as a means of collecting data from the respondents because the questionnaire helped the respondents to give out well thought out answers to the questions that were being asked and a questionnaire also gave the respondents time to respond to questions in their free time when they were not in a hurry. The study design adopted the single method and therefore quantitative data collection techniques. The deductive- approach was used in data analysis. Under this method, hypothesis was generated from the study objectives which was expressed in operational terms and tested. Computer software such as SPSS was used to analyze the data, table and charts were generated to explain the quantitative data (Nelson et al., 2022). Tables and charts were also used to display the result of the study to ensure maximum clarity and objectivity.

RESULTS

Relationship between recording and fraud prevention

Figure 1: Relationship between recording and fraud prevention

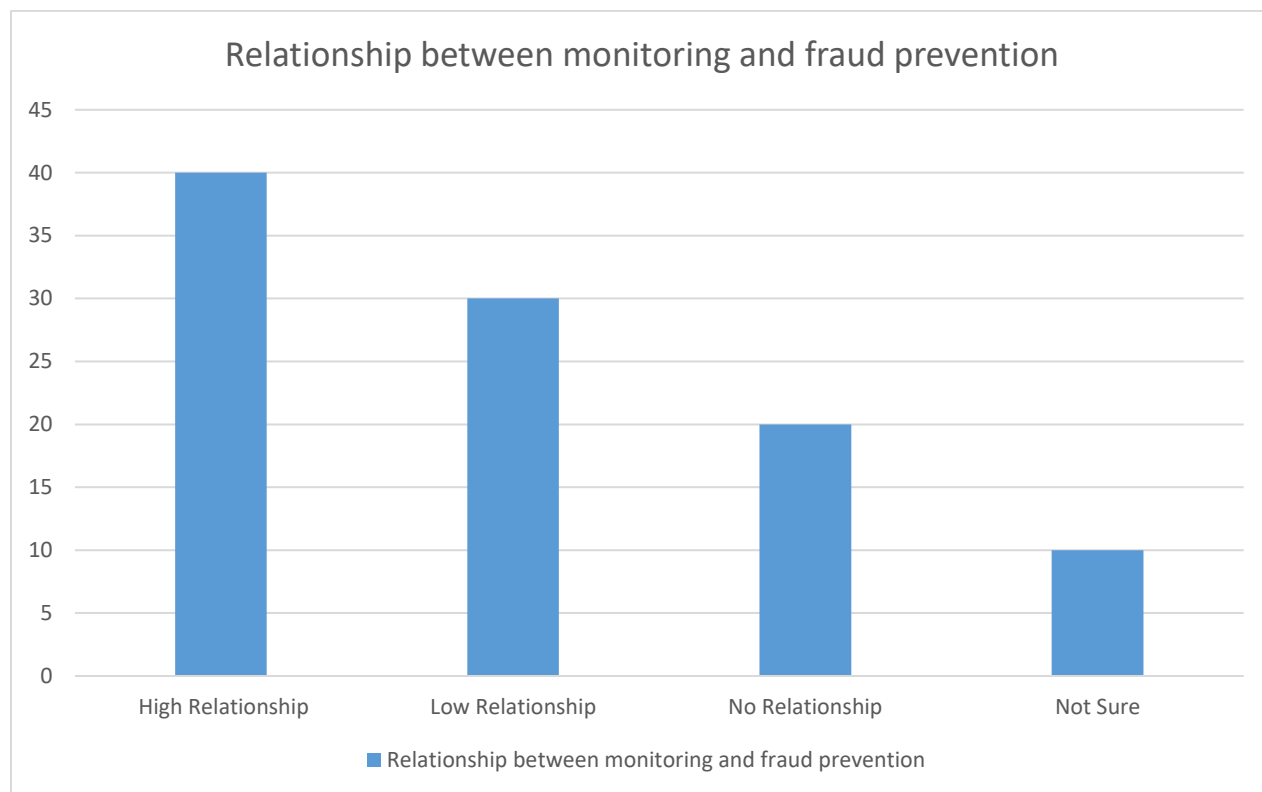


Research Data: 2022

According to the figure above, the findings of the study presented results indicating that 60% of the respondents presented results indicating that there was a high relationship between recording and fraud prevention followed by 20% of the respondents who presented results to the researcher indicating that there was a low relationship between recording and fraud prevention in the organization. 14% of the respondents however presented result tom the researcher indicating that there was no relationship between recording and recording and fraud prevention and finally 6% of the respondents however presented results indicating that they were not sure on whether there was a relationship between recording and fraud prevention (Deus, 2023).

Relationship between monitoring and fraud Prevention

Figure 2: Relationship between monitoring and fraud prevention

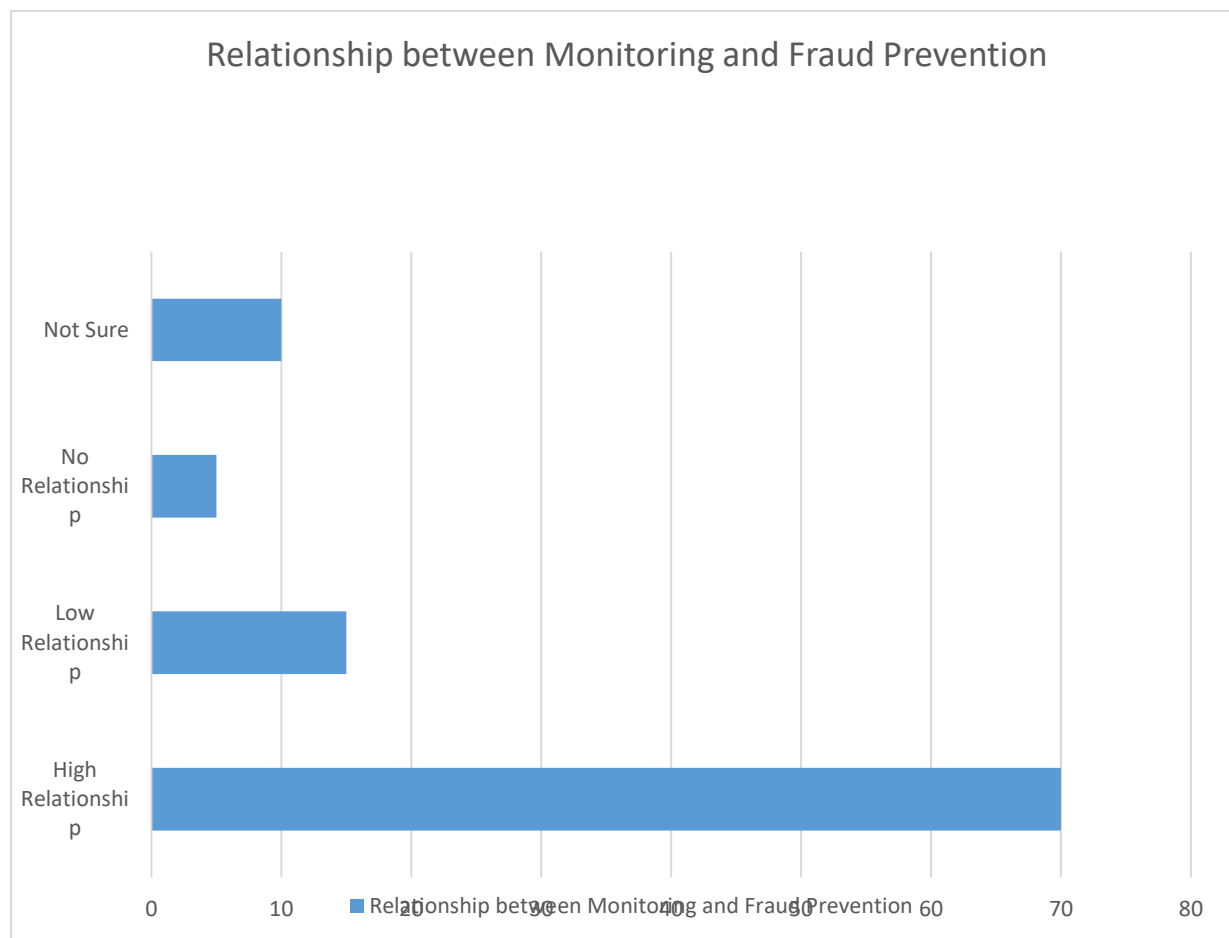


Research Data: 2021

According to the figure above, the findings of the study presented results indicating that 40% of the respondents presented results indicating that there was a high relationship between recording and fraud prevention followed by 30% of the respondents who presented results to the researcher indicating that there was a low relationship between recording and fraud prevention in the organization. 20% of the respondents however presented result tom the researcher indicating that there was no relationship between recording and recording and fraud prevention and finally 10% of the respondents however presented results indicating that they were not sure on whether there was a relationship between recording and fraud prevention (Faridah et al., 2023).

Relationship between Book Keeping and fraud Prevention

Figure 3: Relationship between monitoring and fraud prevention



Research Data: 2022

The figure above indicated that the findings of the study presented results indicating that 70% of the respondents presented results indicating that there was a high relationship between book keeping and fraud prevention followed by 15% of the respondents who presented results to the researcher indicating that there was a low relationship between recording and fraud prevention in the organization. 5% of the respondents however presented result tom the researcher indicating that there was no relationship between recording and recording and fraud prevention and finally 10% of the respondents however presented results indicating that they were not sure on whether there was a relationship between recording and fraud prevention (Micheal et al., 2023).

Discussion of findings

This study was conducted at Equity Bank Kampala area. Through the use of random sampling technique, the researcher used a sample size of 60 respondent and data that was collected came from 50 respondents who presented accurate data in relation to the objectives of the study.

Among the objectives of the study, the researcher was to assess the relationship between recording and fraud prevention at Equity Bank Kampala Area, to find out the relationship between monitoring and fraud prevention at Equity Bank Kampala Area, to determine the relationship between book keeping and fraud prevention at Equity Bank Kampala Area.

According to the findings of the study, the results indicated that 60% of the respondents presented results indicating that there was a high relationship between recording and fraud prevention followed by 20% of the respondents who presented results to the researcher indicating that there was a low relationship between recording and fraud prevention in the organization (T. Moses, 2023). 14% of the respondents however presented result to the researcher indicating that there was no relationship between recording and recording and fraud prevention and finally 6% of the respondents however presented results indicating that they were not sure on whether there was a relationship between recording and fraud prevention (Wegulo et al., 2023). The findings of the study also presented results indicating that that 40% of the respondents presented results indicating that there was a high relationship between recording and fraud prevention followed by 30% of the respondents who presented results to the researcher indicating that there was a low relationship between recording and fraud prevention in the organization. 20% of the respondents however presented result to the researcher indicating that there was no relationship between recording and recording and fraud prevention and finally 10% of the respondents however presented results indicating that they were not sure on whether there was a relationship between recording and fraud prevention (Isaac et al., 2023). 70% of the respondents presented results indicating that there was a high relationship between book keeping and fraud prevention followed by 15% of the respondents who presented results to the researcher indicating that there was a low relationship between recording and fraud prevention in the organization. 5% of the respondents however presented result to the researcher indicating that there was no relationship between recording and recording and fraud prevention and finally 10% of the respondents however presented results indicating that they were not sure on whether there was a relationship between recording and fraud prevention (Musaibah et al., 2023).

Conclusions

In conclusion, the findings of the study presented results indicating that majority of the respondents at Equity Bank Kampala informed the researcher the following:

The results indicated that majority of the respondents presented results indicating that there was a high relationship between recording and fraud prevention followed by a few of the respondents who presented results to the researcher indicating that there was a low relationship between recording and fraud prevention in the organization. Some of the respondents however presented result to the researcher indicating that there was no relationship between recording and recording and fraud prevention and finally one of the respondents however presented results indicating that they were not sure on whether there was a relationship between recording and fraud prevention.

The findings of the study also presented results indicating that that majority of the respondents presented results indicating that there was a high relationship between recording and fraud prevention followed by some of the

respondents who presented results to the researcher indicating that there was a low relationship between recording and fraud prevention in the organization. Some of the respondents however presented result to the researcher indicating that there was no relationship between recording and recording and fraud prevention and finally a few of the respondents however presented results indicating that they were not sure on whether there was a relationship between recording and fraud prevention. Majority of the respondents presented results indicating that there was a high relationship between book keeping and fraud prevention followed by, some of the respondents who presented results to the researcher indicating that there was a low relationship between recording and fraud prevention in the organization. of the respondents however presented result to the researcher indicating that there was no relationship between recording and recording and fraud prevention and finally a few of the respondents however presented results indicating that they were not sure on whether there was a relationship between recording and fraud prevention.

Recommendations

The study recommends that Equity Bank should fully reconcile their accounts more frequently in order to reduce the cases of more incidences of frauds.

The study also recommends that Equity Bank should put in place stronger financial governance control measures through more frequent meetings among the members of the risk management committee and also finance and investment committee.

Another recommendation made by the study is that Equity Bank should reduce the variances in budgets through better reporting and budgetary control measures as it will reduce cases of frauds.

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