

Internal Auditing and Fraud Prevention in Organizations a Case Study of Nssf Kampala Area

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Abstract: *The purpose of the study was on internal Auditing and fraud prevention at NSSF 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 NSSF Kampala Area to find out the relationship between monitoring and fraud prevention at NSSF Kampala Area, to determine the relationship between book keeping and fraud prevention at NSSF Kampala Area, to examine the relationship between internal auditing and fraud prevention at NSSF 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.*

Background of the Study

A system of internal Auditing is a critical component of bank management and a foundation for the safe and sound operation of banking organizations. A system of strong internal Auditing can help to ensure that the goals and objectives of a banking organization will be met, that the bank will achieve long term profitability targets, and maintain reliable financial and managerial reporting (Murkowski & Mannan, 2018). Such a system can also help to ensure that the bank will comply with laws and regulations as well as policies, plans, internal rules and procedures, and decrease the risk of unexpected losses or damage to the bank's reputation. The Basel Committee, along with banking supervisors throughout the world, has focused increasingly on the importance of sound internal Auditing. This heightened interest in internal Auditing is, in part, are a result of significant losses incurred by several banking organizations. An analysis of the problems related to these losses indicates that they could probably have been avoided had the banks maintained effective internal Auditing systems. Such systems would have prevented or enabled earlier detection of the problems that led to the losses, thereby limiting damage to the banking organization. A system of accounting and records keeping will not succeed incompletely and accurately processing all transaction unless Auditing known as internal Auditing are built into the system (Opromolla & Maccarini, 2019).

Internal Auditing are processes designed to provide reasonable assurance that management achieves effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations (Grant, Miller, & Alali, 2018). A system of internal Auditing potentially prevents errors and fraud through monitoring and enhancing organizational and financial reporting processes as well as ensuring compliance with pertinent laws and regulations (Rae and Subramanian, 2008). Reasonable assurance is provided when cost effective actions are taken to restrict deviations, such as improper or illegal acts to a tolerable level. The internal audit reviews the effectiveness of the internal Auditing system to ascertain whether the system is functioning as intended (Fadzil, Haron & Jantan, 2017)

The system of internal Auditing should emphasize on ,proper identification measurement and monitoring of risks, Auditing activities for each level of operation, creation of reliable information systems that promptly reports and detailed reporting of all operations and monitoring of all the activities (Opromolla & Maccarini, 2019). Internal Auditing are affected by a company's board of directors, management and other personnel and are designed to ensure

effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations (Spira & Page,2017). The management should assess and report the effectiveness of an institution's internal Auditing to its stake holders (Rezaee,2018) .Internal Auditing should have the following as its components, Auditing environment, risk assessment, Auditing activities, information and communication and monitoring activities (Basel Committee,2017).

Problem Statement

The regularity of fraud and misappropriation of funds is creating fear, anxiety, and a loss of confidence in the minds of NSSF Customers (Association of Certified Fraud Examiners, 2018). Since Internal Auditing operate in an environment which influences their operations, proper care must be exerted onto the implementation of these Auditing in order to achieve the utmost aim of the financial institution (Hochberg & Jorgensen, 2019). This heightened interest in Internal Auditing is, in part, a result of significant losses that can be incurred in several organizations as a result of fraud. An analysis of the problems related to these losses in financial institutions can only be maintained through the use of effective internal Auditing.

Sound Internal audit is one of the principal means by which fraud is managed. According to Flesher (2019), the internal audit activity should monitor and evaluate the effectiveness of the organization's risk management system.

National Social Security Fund (NSSF) has been operating in Uganda for a long period of time and it is known for collecting Pay As You Earn (PAYE) from both government and private employees. In 2021, the 11th Parliament of Uganda came up with the bill to amend the NSSF Act in order to allow the NSSF Customers who had saved with it for more than 10 years were the ones entitled to receive the money, the National Social Security Fund received criticism from the local people after when they were informed by NSSF officials that the money was not available to cater for all the liable customers. This clearly evidenced fraud and it is on this grounds that the researcher decided to carry out a study on the influence of internal auditing on fraud prevention at National Social Security Fund Kampala Area.

Specific objectives

1. To assess the relationship between recording and fraud prevention at NSSF Kampala Area
2. To find out the relationship between monitoring and fraud prevention at NSSF Kampala Area
3. To determine the relationship between book keeping and fraud prevention at NSSF Kampala Area.
4. To examine the relationship between internal auditing and fraud prevention at NSSF Kampala Area

METHODOLOGY

Research design

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.

Target population

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

Sample size determination

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

Sampling Procedure

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.

Data collection instruments

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.

Data Collection procedure

The Researcher used an introductory letter from the faculty of Business Administration and Management Sciences which was presented to the respondents at the study area. The researcher went ahead to seek appointment letters from the respondents in order to design questionnaires to avoid having excess or less. The researcher then reached to the respondents on the agreed times to carry out data collection.

Data Analysis techniques

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 spread sheet was used to analyze the data, table and charts were generated to explain the quantitative data. Tables and charts were also used to display the result of the study to ensure maximum clarity and objectivity. Furthermore, will analyze descriptive information from the field group discussion which will obtain further confirmation of the findings made.

RESULTS

Response Rate

The response rate of the respondents is explained in the table below:

Table 3: Groups of respondents and number of questionnaires retrieved

Respondent Groups	Target Population	Sample Size	Retrieved Questionnaires
Auditors	70	60	50

TOTAL	70	60	50
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Source: Primary data (2021)

The table above clearly indicated that the researcher retrieved data from 50 respondents out of the sample size of 60.

Demographic Profile of the respondents

Table 4: Demographic Profile

Category		Frequency	Percentage
Gender	Male	40	67
	Female	10	33
	Total	50	100
Age	11_18	5	10
	19_25	15	30
	26-Above	30	60
	Total	50	100
Education	Primary	0	0
	Secondary	10	10
	University	40	90
	Total	50	100
Marital Status	Single	5	10
	Married	30	60
	Divorced	15	0
	Total	50	100
Years of work experience	01_05	25	50
	06_10	20	40
	11_15	5	10
	Total	50	100

Source: Field Data (2021)

Table 4 above shows the demographic profile of the respondents through age, gender, education, marital status and years of work experience. The table above shows that 60% of the respondents were aged 26 years and above and 5%

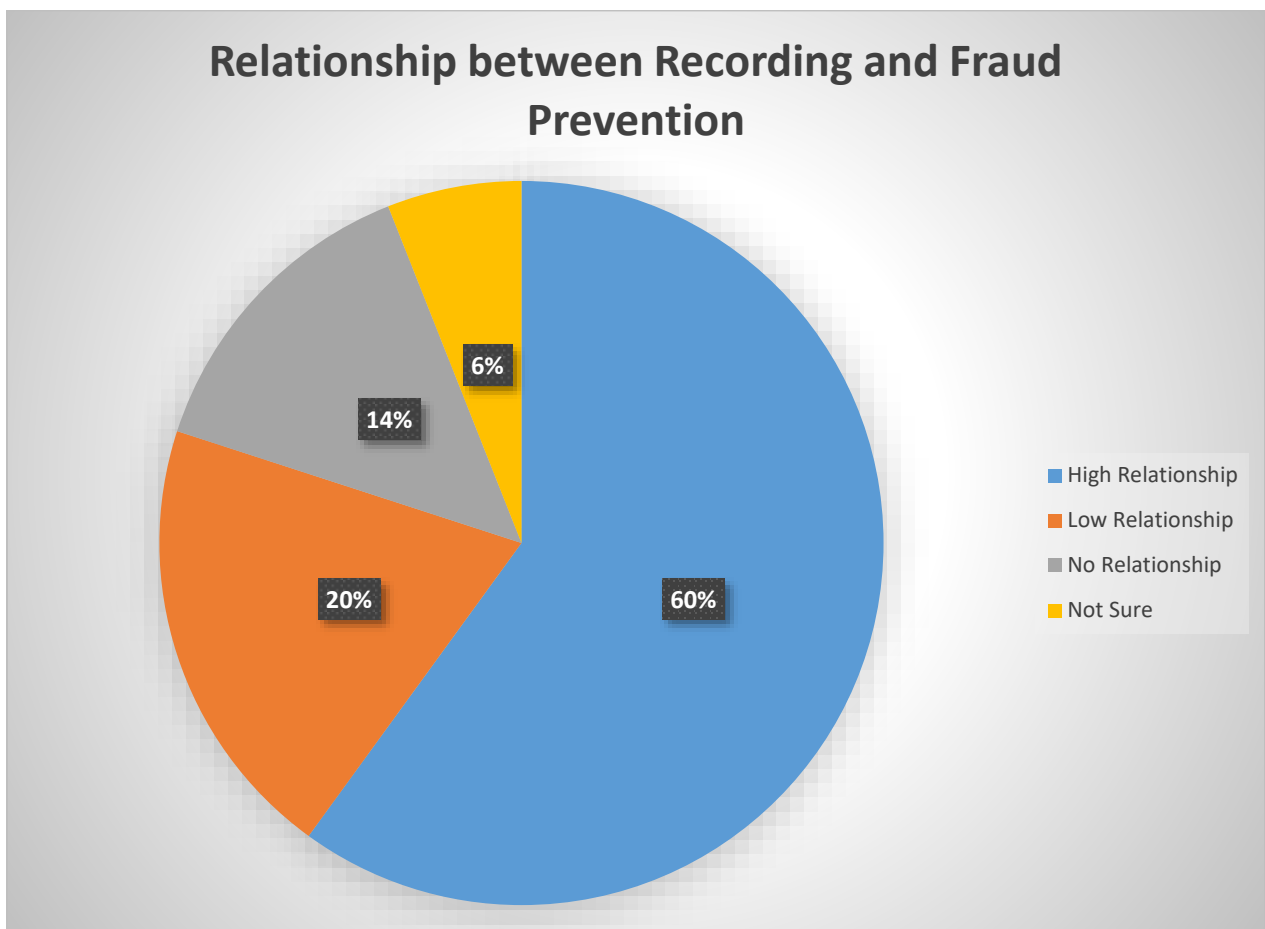
of the respondents were aged 11-18 years. The minimum age was 12 and maximum age 32 and this implies that since the standard deviation (13.45) is within the maximum and minimum age, age meets the measures of central tendency. 90% of the respondents were at the university which shown the highest degree of literacy among the respondents as well as no respondent was at a primary level.

Table again shown that 60% of the respondents were married, 10% were single and 30% were divorced which implies that on average the level of marriage maintainance is so high compared to the level of divorcing.

Data Presentation, Analysis and Interpretation of findings

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.

Relationship between monitoring and fraud Prevention

Figure 2: Relationship between monitoring and fraud prevention

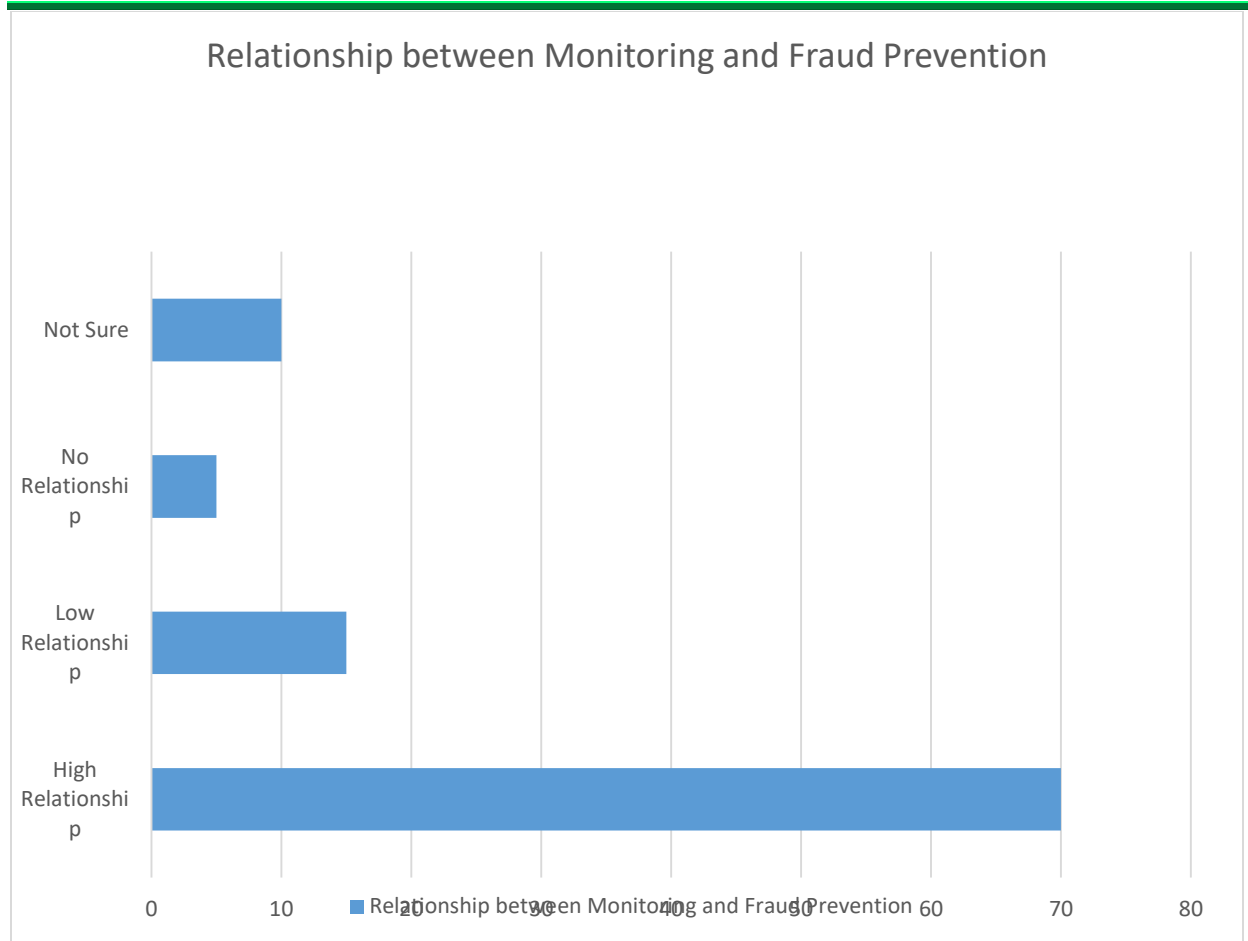


Research Data: 2021

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 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.

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.

Conclusions

In conclusion, the findings of the study presented results indicating that majority of the respondents at NSSF 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 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 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 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.

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 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.

Recommendations

The study recommends that NSSF should fully reconcile their accounts more frequently in order to reduce the cases of more incidences of frauds. The study also recommends that NSSF 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 NSSF should reduce the variances in budgets through better reporting and budgetary control measures as it will reduce cases of frauds.

Top management should give input for internal audit planning in money transfer companies in Uganda.

Internal audit function of the money transfer companies should be independent in order to detect fraud fairly. The top management should give more attention for the fraud related asset and that fraud related to financial reporting. Top management should make the internal audit department more effective so that they can use this more effective internal audit on a regular basis to collect stronger evidence to support fraud detection. To improve assurance of financial reporting, internal auditing could employ the self-assessment questionnaire technique to staff in order to detect areas of failed controls as a result assure management and the board that systems are effective.

Furthermore, a strong audit committee should be established, training of internal auditors should be done, the capacity of the internal auditors should be increased, even if more are recruited from college graduates, The reports of the internal auditors should be sent to the shareholder board and an audit committee, other than the supervising

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