

# External Auditing and the Financial Performance of Marianum Press Limited, Kisubi

1 Kigundu Moses, 2 Dr Ariyo Gracious Kazaara, 3 Asiimwe Isaac Kazaara, 4 Lukwago Ismail

1 Metropolitan International University, 2 Lecturer Metropolitan International University, 3 Lecturer Metropolitan International University, 4 Lecturer Metropolitan International University

**Abstract:** *The very next goals were the driving forces behind the study, which focused on audit committees and the profitability of A certain Media Limited in Kisubi: to assess the connection between the monetary performance of companies and the confirmation of accounting data; to ascertain whether or not auditors start exercising ethical standards and key competencies while auditing activist groups in Kisubi; and to evaluate the relationship between internal direct authority and the effectiveness of companies. Yet since the Jarque-Bera value (0.9) is bigger than the significance threshold (0.05), we reject the null hypothesis and come to the conclusion that the disturbance terms are not regularly dispersed. The study mainly formalizes, based on the findings, that the efficiency of financial reporting validation on responsibility of a Possess solid Press restricted helps ensure prevention of acct manipulation, appropriate appraisal of government resources, improves proper audio and valuation of assets, ensures mathematics precision of account holders, guarantees identification of frauds and mistakes in the exchanges, and it displays a true and equitable assessment of the state of matters of a Marianum Press. It is clear that internal auditing, while present at Marianum Press Ltd, is insufficient and ineffective in managing responsibility and enhancing productivity. This necessitates the development of a more robust and efficient accounting genre (such as mandatory or outside auditing) in order to aid Marianum Press Limited in provides The advantage and Performance.*

**Keywords:** external auditing and financial performance

## Background to the study

As per Kumar and Mohan (2016), the Latin phrase audire, which means to listen, is where the word audit originated. In the beginning, an inspector would listen as a bookkeeper read over the documents with the intention of checking them. As old as accounting is accounting. The primary goal of book reviews, which have been used in all archaic countries, was to identify and eliminate errors and fraudulent entries. Furnham and Gunter (2015) claim that during the modern upheaval in the eighteenth century, auditing grew and then became swiftly as commercial organizations need independence ownership and management. The stockholders, who also served as the owners, demanded a review on the senior top management actual quality from an independent master.

The subject of such an assessment changed, and it was necessary to conduct a review to determine that whether documents were accurate and acceptable rather than only to look for errors.

Auditing is now legally required for so many organizations that have the authority to use financial data to enrich themselves since there are so many strong incentives (such as extortion, inaccurate claims, and other types of fraud) to blatantly misrepresent financial data.

Historically, the major purpose of audits was to learn more about an industry's or company's financial processes and bank documents. Owing to limitations, an audit aims to give only a fair level of assurance that there are no significant errors in the financial accounts.

In audits, statistical sampling is so frequently used. A set of financial is considered to be true and fair in the context of the financial inspections if they do not contain any major misstatements, which is a concept impacted by both numerical (numerical) and subjective elements. Yet lately, the case for auditing to be more than merely true and fair is getting stronger (McKenna, 2011).

According to Derek (2006), auditing is unquestionably the most contentious component of an accountant's job nowadays.

The demise of Enron, WorldCom, and their auditors, Arthur Andersen, has focused much attention on corporation audits during the past few years.

## Statement of the problem

In the current economic climate, the need for external auditing is prevalent in the dissemination of financial information to the many interested stakeholders. Risk assessment is the independent auditor's top priority because any risk that has the ability to negatively influence the company could have an impact on the financial accounts' outcomes. Preparation and execution of audits (Knechel, Salterio

& Ballou, 2007). The fundamental reason for the growing condemnation of the auditors' work is that they did not fulfill their 're prepared or carry them out to the expected levels. Due to a lack of impartiality and 's professionalism, insufficient time commitment, and failure to adhere to norms and standards, auditors have been criticized of performing subpar audits.

There have been numerous reports on the lack of credibility in auditors' work, which has affected society's perception of the audit profession as a whole and, by extension, the auditing process (Porter and Gowthorpe, 2004). These unfavorable opinions are the result of a "audit expectation performance gap," which is the difference between the people expect from audit work and what they actually receive (Porter Baskerville & Horgartaigh, 2012).

### **Objectives of the study**

In order to achieve this objective the following specific objectives are designed inthat direction.

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.

### **Research questions**

The following are the research questions designed to achieve this objective;

1. What is the effect of verification of accounting data on the financial performance of organizations in Kisubi?
2. Do the external auditors act professionally and competently when auditing organizations in Kisubi?
3. To what extent has internal control system affected the financial performance of organizations in Kisubi?

### **Methodology**

#### **Research Design**

A research design is a plan for carrying out the study that outlines the steps to take in order to collect the data required to frame and address the research concerns (Cooper and Schindler, 2003).

In order to investigate how external auditing affects firms' profitability in Uganda, the narrative design was chosen.

The methodical method of obtaining descriptions of current phenomena in order to characterize or explain what is happening is known as the descriptive study design (Ololube, 2009).

#### **Study Participants**

The Marianum Press Limited employees, managers, accountants, and auditors will make up the majority of the research population.

These have 20 participants, per the records kept by human resources.

Since the majority of the organizations in Kisubi are small, the study only included this one.

#### **Sample size determination**

Twenty (20) respondents were inclusive of the sample.

Slovene's formula was used in the sampling of the population.

- is used to calculate the sample size (n) given the population size (N) and a correlation coefficient or margin of error (e).

- It's a random sampling technique formula to estimate sampling size

-It is computed as

$$n = N / (1+Ne^2).$$

Whereas:

n = no. of samples/sample size

N = total population

e = margin of error or correlation coefficient (0.05)

$$n = \frac{20}{1+20(0.05)^2}$$

$$N = \frac{20}{1.05}$$

n = 19 respondents

Therefore, a sample of 19 respondents was selected to participate in the study

**Table 1: Showing the sample of respondents to be selected under the study**

category	Population	sample	Sampling technique
accountants	10	9	purposive
auditors	6	6	purposive
managers	4	4	purposive
Total	20	19	

Source: Human Resource Work

### Sampling Techniques and Procedures

Both likelihood and quasi sampling methods were used in the investigation.

Given that the research is concentrated on the overall population of the business, the probabilistic sample was chosen. Participants in the study had to be working at Marianum Press Limited in Kisubi. The probability sampling method involves choosing a subset so that every component of the demographic had an equal chance of being chosen (Amin, 2005).

All members of the sample were given a proportional possibility of being recognized inside the sampling by using the simple random sampling technique.

### Data Collection Methods

Both quantitative and qualitative methods of data collection was employed during the study. The questionnaire survey method was used to pool quantitative statistics, while the interview and documentary review method was employed to gather qualitative information. The researcher will choose a data collection method that was better suited the intended purposes.

### Questionnaire Survey Method

The online questionnaires approach involves asking a lot of people a series of questions to gather data for a particular research (Amin, 2005). The following benefits make the questionnaire a useful tool for gathering data: It is uniform in that it always uses the same language, and it guarantees confidentiality by employing a coding system. As a result, it can include uncomfortable, unlawful, or otherwise unpopular issues. It is also less expensive to administer (Barker et al., 2002). Since they are actively involved in the company's day-to-day affairs, the method was utilized to gather data from middle-level personnel and other lower level staff.

### Data Analysis

Organizing, structuring, and giving meaning to the vast amount of unstructured data that was acquired in order to assess reliability and test the survey questionnaire is what this procedure entails (Sekaran, 2004). Data was initially entered into the MS Excel software tool for cleansing. Also, the information was transferred into the statistical program SPSS 23 for analysis. Both descriptive statistics and inferential statistics were involved in quantitative data analysis. Research employing frequencies, proportions, means, charts, and sample variance will be part of descriptive statistics.

Based on a 5-point Likert scale with strong agree to strong disagree as the extremes, the analysis of the central tendency as well as the

dispersion is performed.

Similar to this, inferential statistics were conducted using the method of linear regression and the Pearson's correlation coefficient

**RESULTS**

**GENERAL FINDINGS ON DEMOGRAPHICS OF RESPONDENTS**

This section is a presentation of demographics of respondents including gender, age, working experience and the highest level of qualification.

Table 2: Response on Gender of respondents in Marianum Press Limited

Gender	Frequency	Percentage (%)
Male	15	79
Female	4	21
Total	19	100

Data source: Primary data.

The table 2 and figure 1 illustrates the gender of respondents in the study where 79% and 21% with frequencies of 15 and 4 represents the male and female respectively. This is further illustrated in the bar graph shown below

Figure 1: Graphical illustration of gender of respondents.

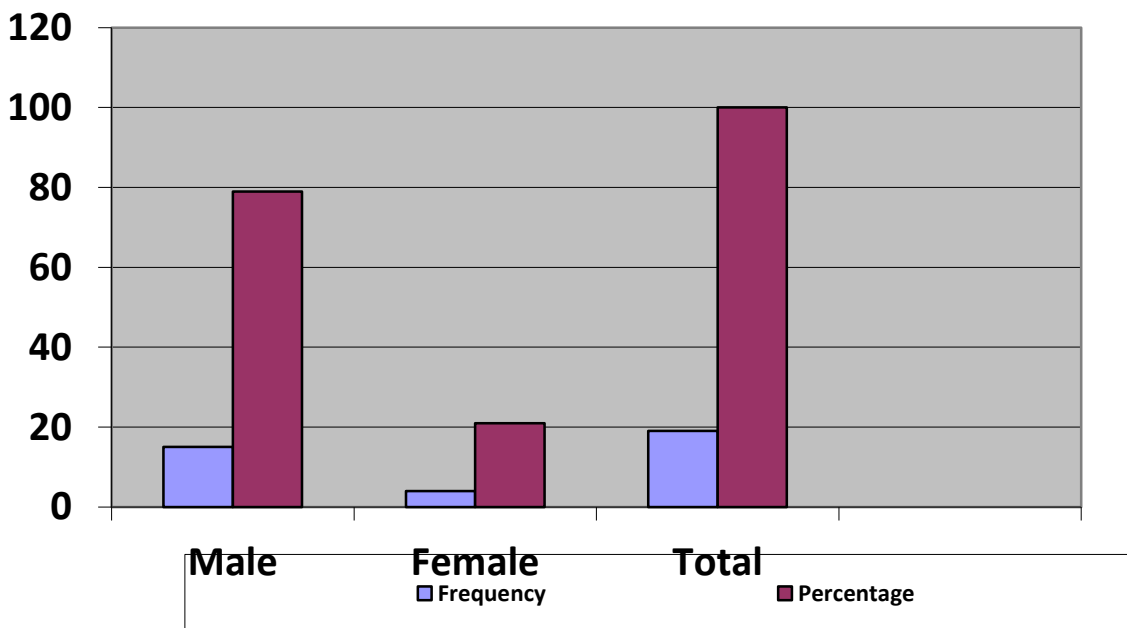
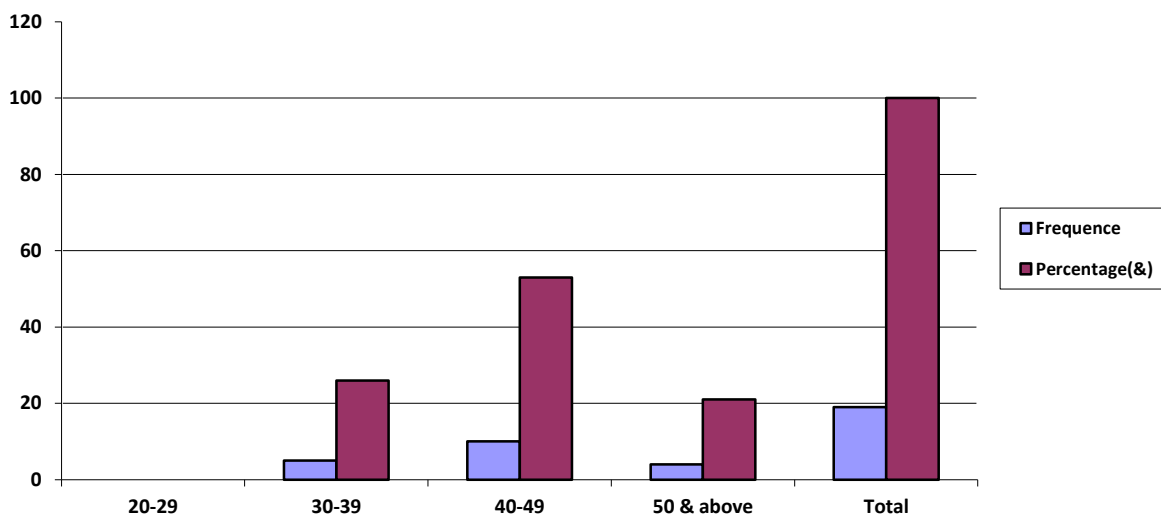


Table 3: Response on the Age of Respondents in Marianum Press Limited

AGE	FREQUENCY	PERCENTAGE
20-29	0	0
30-39	5	26
40-49	10	53
50 and above	4	21
Total	19	100
Maximum=60	Minimum=20	Standard deviation=21.78
Kurtosis=0.9		

Data source: Primary data.

Figure 2: A Bar graph illustration of Age of Respondents



Its observed from the table 3 and figure 2 above that most of the respondents are in an age bracket of 40-49 years represented by 53% with a frequency of 10, followed by 30-39 years with 26% with a frequency of 5, then 50 and above with 21% with a frequency of 4 and 20-29 years with 0.0%. Since the standard deviation (21.78) lies within the maximum (60) and minimum age (20), age meets the measures of central tendency

However, upon comparing the Jarque-Bera value (0.9) with the significance level (0.05), we reject the null hypothesis and conclude that the disturbance terms are not normally distributed since 0.9 is greater than 0.05

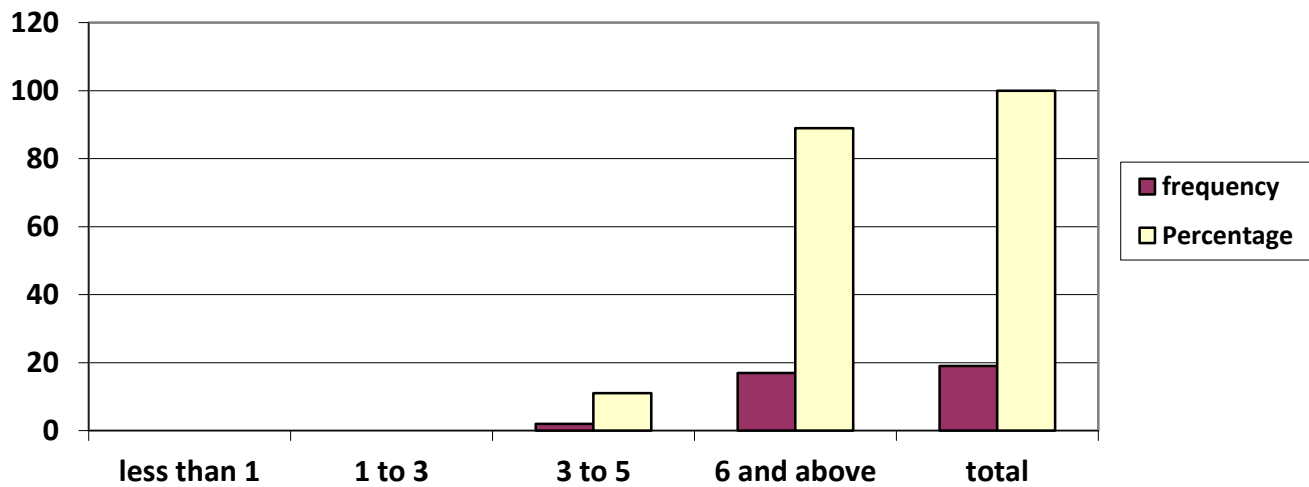
Tale 4: Response on the working experience of Respondents in Marianum Press Limited

YEARS	FREQUENCY	PERCENTAGE (%)
Less than 1	0	0
1 to 3	0	0
3 to 5	2	11
6 and above	17	89
Total	19	100

Data source: Primary data.

From the above analysis, the majority of the respondents of a working experience of 6 and above years in the Marianum Press limited represented by 89% with a frequency of 17, 3-5 years represented by 11% with a frequency of 2 hence no respondent has worked for less than a year and 1-3 years. This is further illustrated in a bar graph as shown below;

Figure 3: A bar graph illustrating the working experience of respondents.



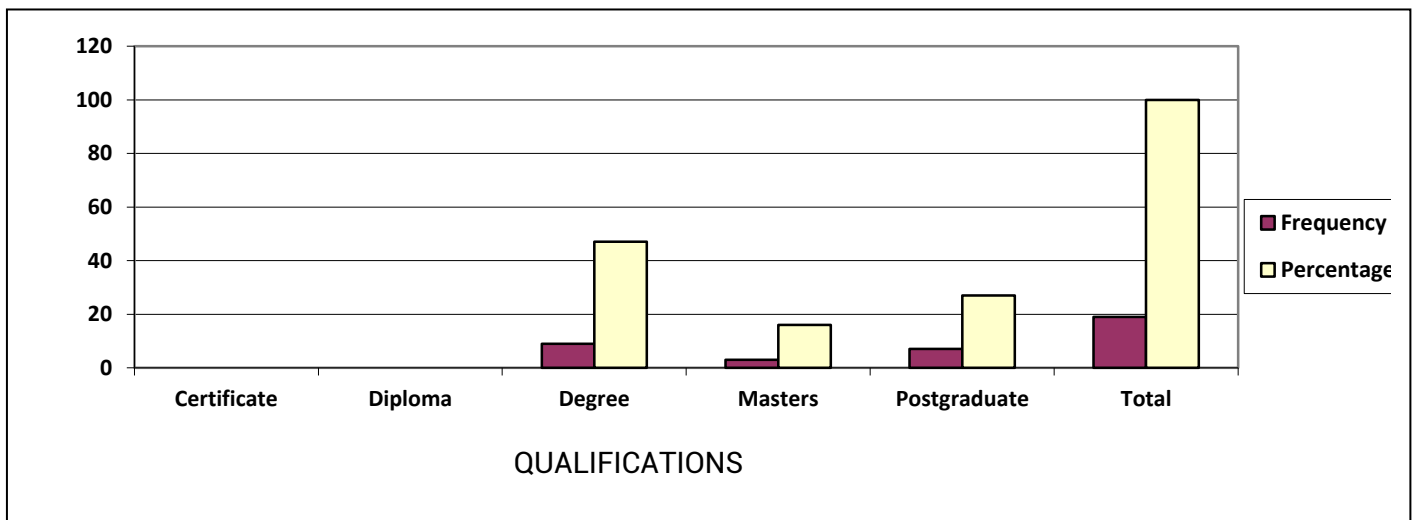
**Table 5: Response on the highest level of Qualification of Respondents in Marianum press limited.**

QUALIFICATION	FREQUENCY	PERCENTAGE (%)
Certificate	0	0
Diploma	0	0
Degree	9	47
Masters	3	16
Postgraduate	7	37
Total	19	100

**Data source: Primary data.**

The above table shows that the minimum qualification of the respondents is a Degree represented by 47% with a frequency of 9, Masters represented by 16% with a frequency of 3 and postgraduate represented by 37% holding a frequency of 7 hence all the respondents are qualified employees. This is further more illustrated in the bar graph as follows;

**Figure 4: A bar graph illustrating the highest level of Qualification of Respondents Certificate Diploma**



**Illustration of Primary Data Analysis of Frequencies and Percentages of the findings in the study****Table 6: Findings on the Effect of Verification of accounting data on the Performance of organisation**

	ranking	1	2	3	4	5	
<b>Statement</b>		<b>SD</b>	<b>D</b>	<b>U</b>	<b>A</b>	<b>SA</b>	<b>Total</b>
Void manipulation of accounts	Freq	2	0	0	10	7	<b>19</b>
	%	11	0	0	53	37	<b>100</b>
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	<b>Freq</b>	<b>0</b>	<b>1</b>	<b>3</b>	<b>9</b>	<b>6</b>	<b>19</b>
	%	<b>0</b>	<b>5</b>	<b>16</b>	<b>47</b>	<b>32</b>	<b>100</b>
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
<b>Total number of responses</b>	<b>freq</b>	<b>3</b>	<b>9</b>	<b>18</b>	<b>83</b>	<b>61</b>	<b>174</b>
<b>Percentage of responses</b>	<b>%</b>	<b>2</b>	<b>5</b>	<b>10</b>	<b>48</b>	<b>35</b>	<b>100</b>

**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

Illustration of the Responses on the Effect of Verification of accounting data on the performance of Marianum Press limited.  
Responses on the Effect of Verification of accounting data on the performance of Marianum Press limited.

**Table 7: Findings on the Effect of Internal control on the Performance of Marianum Press limited**

	Ranking	1	2	3	4	5	
Statement		S	D	U	A	SA	Total
Enables the Marianum Press limited 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 polices	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

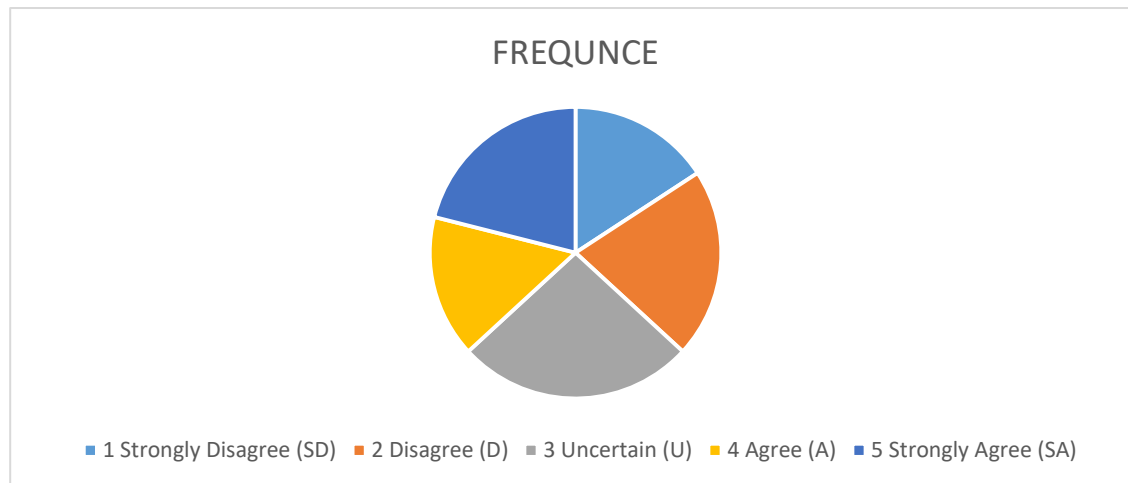
Helps in ensuring completeness and accuracy of the accounting records maintained	Freq	1	0	3	9	19
	%	5	0	16	47	100

**Data source: Primary data.**

According to the above table, the responses on the effect of internal control on the performance of Marianum Press limited 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. This implies that internal control is of great effect on the performance of Marianum Press Limited It is further illustrated as follows;

**Table 8: Illustration of the responses on the effect of internal control on the performance of organizations**

NO.	RESPONSE	FREQUNCE	PERCENTAGE
1	Strongly Disagree (SD)	3	16%
2	Disagree (D)	4	21%
3	Uncertain (U)	5	26%
4	Agree (A)	3	16%
5	Strongly Agree (SA)	4	21%
TOTAL		19	100%



From table 8, 26% of the respondents were uncertain about the effect of internal control on the performance of organizations, 21% both disagreed and strongly agreed, and 16% of the respondents strongly disagreed and agreed and this shows that respondents who were uncertain strongly affected the performance of organizations.

**CONCLUSION**

According to the author's findings, institutional corrective actions exist in Kisubi organizations, yet they are insufficient and ineffectual to stop fraud, money laundering, stealing of funds, corrupt practices, and corruption, among other things, despite the outside auditing ability to contribute, taking account verifications, vouching or investigation of records, and existence of internal control measures.

This could be as a result of staff personnel failing to follow the accounting guidelines and accounting procedures or being careless



when doing their duties.

## RECOMMENDATIONS

The audit firms must regularly update their knowledge of new technologies and trends and improve their technical proficiency. External auditors can become indispensable by devoting their talents to the most crucial areas, establishing their professional and private reputation, and identifying and meeting demands. This will speed up effective governance and increase the effectiveness of independent audit.

The management of the organization at Kisubi Glass bottles could perhaps hold the neck of the exterior auditing process accountable, and this jurisdiction ought to be enough to guarantee independence, a wide scope of audit coverage, appropriate selection of audited accounts, and correct measures on audit committees.

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