ROLE OF AUDITING ON FINANCIAL PERFORMANCE OF CORPORATIONS IN WESTERN REGION. A CASE STUDY OF KISORO TOWN COUNCIL IN KISORO DISTRICT

BY:

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A RESEARCH DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF THE RQUIREMENTS FOR THE AWARD OF THE BACHELORS DEGREE OF BUSINESS ADMINISTRATION (ACCOUNTING AND FINANCE) OF KAMPALA UNIVERSITY.

MAY 2015

DECLARATION

I Nsengiyunva Godfrey declare that this is my original work, which has never been presented by any person to any institution for any academic award.

.... 8th June, 2015

STUNDENT **Date**

APPROVAL

I certify that Nsengiyunva Godfrey carried out the study and wrote this proposal under my supervision. The proposal has been presented for examination with my approval as a University Supervisor

.... 8th June 2015

MRS. IRAU FLORENCE **Date**

SUPERVISOR

DEDICATION

I dedicate this report to my beloved mother Sabinah Nyirabatega and my father Evarist Ntereye for their endeavors to see me succeed in education. May the Lord reward them abundantly for without them my life would have been a misfortune.

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CHAPTER ONE

INTRODUCTION

1.0 Introduction.

This chapter looked at the background of the study, statement of the problem, purpose of the study, specific objectives, research questions, scope of the study and the significance of the study.

1.1 Background of the study

Historical perspective

For most of its history auditing has served as a simple administrative procedure comprised mainly of checking documents, counting assets, and reporting to Board of Directors, Management, internal or external Auditors. During the last few years governments and professional bodies have tried in vain to put a stop to a lengthening series of audit failures. Their effort has included increased legislation and governance. However, audit failures have continued in spite of these efforts. These audit failures have been linked to reduced audit quality behavior (RAQB) of auditors involved in the audits. Survey based research has shown that reduced audit quality acts are wide spread in the United States of America Malaysia (Paino, Ismail, and Smith, 2010). However, there is hardly any research on the existence auditing and performance of financial corporations Rivenbarks (2008).

Historians believe that auditing originated about 4000 B.C.E., when ancient civilizations in the Near East began to establish organized governments and businesses Gendron, Yves, (2007). Governments were concerned about accounting for receipts and disbursements and collecting taxes. An integral part of this concern was establishing controls, including audits, to reduce error and fraud on the part of incompetent or dishonest officials. There are numerous examples in the ancient world of auditing and control procedures employed in the administration of public finance systems. The Shako dynasty of China (1122–256 B.C.E.), the Assembly in Classical Athens, and the Senate of the Roman Republic all exemplify early reliance on formal financial controls. Britain, performed before the seventeenth century, was directed primarily at ensuring the accountability of funds entrusted to public or private officials. Those audits were not designed to test the quality of the accounts, except insofar as inaccuracies might point to the existence of fraud Daouk (2001).

It was not until the nineteenth century, with the growth of railroads, insurance companies, banks, and other joint-stock companies, that the auditing profession became an important part of the business environment. In Great Britain, the passage of the Joint Stock Companies Act in 1844 and later the Companies Act in 1879 contributed greatly to the auditing field in general and to the development of external auditing in the United States. The Joint Stock Companies Act required companies to make their books available for the critical analysis of shareholders at the annual meeting Verrecchia, *R.* (2002). The Companies Act in 1879 required all limited liability banks to submit to auditing, a requirement later expanded to include all such companies. Until the beginning of the twentieth century, independent audits in the United States were modeled on British practice and were in fact conducted primarily by auditors from Britain, who were dispatched overseas by British investors in U.S. companies. British-style audits, dubbed "bookkeeper audits," consisted of detailed scrutiny of clerical data relating to the balance sheet Pacini, (2006).

Theoretical perspective

Adams (1994) in his article stated that audit theory can provide for richer and more meaningful research in audit discipline. The theory contends that auditing, in common with other intervention mechanisms like financial reporting and external audit helps to maintain cost-efficient contracting between owners and managers. The theory may not only help to explain the existence of audit in organizations but can also help explain some of the characteristics of the audit department, for example, its size, and the scope of its activities, such as financial versus operational auditing. The theory employed can be tested empirically whether cross-sectional variations between auditing practices reflect the different contracting relationships emanating from differences in corporations. The goal of an audit is to test the reliability of a company's information, policies, practices and procedures. Government regulations require that certain financial institutions undergo independent financial audits, but industry standards can mandate audits in other areas such as safety and technology. Regardless of the audit subject, various factors impact a company's final results, and the contingency theory takes these factors into account during the audit process Witt, (2001).

Conceptual perspective

Adams, M.B. (1994) "argues that Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance practices. Auditing is a catalyst for improving an organization's effectiveness and efficiency by providing insight and recommendations based on analyses and assessments of data and business processes. With commitment to integrity and accountability, auditing provides value to governing and senior management as an objective source of independent advice. Professionals called auditors are employed by organizations to perform the auditing activity.

Performance in relation to auditing is the provision of information to a government organization, program, activity or function by contributing the accountability that help provide an independent assessment of their performance, helping them improve public accountability (Dittenhofer, 2001). One of the main differences between a private organizations and a public organizations (such as a municipality) is that the public organizations is more affected by political decisions, and one of the similarities are that when it comes to improvements both companies and politicians advocate effectiveness as a solution (Radcliffe, 2009). In Ammons and Rivenbarks (2008) article it says that there are eight purposes for performance measurement and those are: to evaluate, control, budget, motivate, promote, celebrate, learn, and the most important one is improve. Although these factors are important in order to obtain performance measurements in the public organizations there are opponents who argue that auditors do not only look at these factors.

Contextual frame work.

Auditing of corporations in western Uganda has been improving but many issues have been left hanging which has increased the rate of corruption and in Kisoro district, it has been seen as a cornerstone of good public sector governance that helps to reduce corruption, fraud and improve financial performance of corporations. By providing unbiased, objective assessments of whether public resources are managed responsibly and effectively to achieve intended results, auditors have helped public sector organizations achieve accountability and integrity, improve operations, and instill confidence among citizens and stakeholders through auditing. Insight assists decision-makers by providing an independent assessment of public sector programs, policies, operations, and results. In western region especially Kisoro district auditors use tools such as financial audits, performance audits, investigations, and advisory services to achieve the corporations' objectives. However, the scope of auditing within corporate organizations is broad and involve efficacy of operations, the reliability of financial reporting deterring and investing fraud, safeguarding assets and compliance with the entity's policies and procedures are too frustrating and hence a need for investigation to address such challenges.

1.2 Statement of the problem

According to Ellis (2000), the value of auditing has not been perceived by most corporations. Many still perceive auditing as spy and policing on others, this confines auditing in a box thus they don't justify their existence and contribution to the performance of corporations. According Mwene (2003) auditors financial control mechanisms were lacking and instead exposing the fund to misappropriations. The audit reports from corporations especially in Kisoro Town Council were reported to have been quashed and expunged from the archives of public records due to the way in which it was conducted. This implies that despite all efforts put in place by financial corporations in western Uganda to improve on its annual financial performance through auditing little has been attained and benefits have not yet been realized. This has necessitated the researcher to investigate on the role of auditing on financial performance of corporations in western region greatly focusing on Kisoro district which was his major area of interest.

1.3 Purpose of the Study

The purpose of study was to find out the role of auditing on financial performance of corporations in western region. A case study of Kisoro Town Council Kisoro District.

1.4 Objectives of the study.

This research work was set to accomplish the following objectives;

i. To find out the role of value for money on financial performance of corporations.
ii. To establish the role of transparency of books of accounts on detection of fraud
iii. To asses the role of compliance to the accounting convections on corporate profitability.

1.5 Research Questions

For the purpose of this research work the following research questions have been formulated;

i. What is the role of value for money on financial performance of corporations?
ii. What is the impact of transparency of books of accounts on detection of fraud?
iii. What are the roles of compliance to the accounting convections on corporate profitability?

1.6 Scope of the study

1.6.1 Subject scope

It was much demanding to undertake a complete study of the role of auditing on financial performance of corporations in western region.

1.6.1 Geographical scope

Due to logistics constraint on the researcher, the study was carried out in kisoro town council kisoro district. The researcher focused on this district basing on its convenience and accessibility.

1.7 Significance of the study

The significance of the study will include but not limited to the following:

The study findings will help the region under study and others in Formulating appropriate audit function and financial performance of corporations that will help in enhancing better financial performance.

The study findings will be an addition to the already existing knowledge especially in the field of auditing and financial performance of corporations.

This will help future academicians who will be interested in undertaking either similar or related topic of study.

Upon completion of this research, the researcher will have fulfilled the requirements for the a ward of a bachelors degree in businesses administration of Kampala International University.

1.8 Conceptual framework

Independent variable | Dependent Variable

Auditing | **financial performance of corporations**

Value for money

Transparency of books of accounts

Compliance to the accounting conventions

Increase of profitability

Increase on detection of fraud

Increase of return on

- Government policy
- Scope of the work
- Size of the auditing committee

Source: Researcher's own findings (Primary Data)

Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations as well as increasing the corporation's profitability. This result from reduction on financial misappropriations especially when auditing has been properly done.

Auditing is also important part of the corporate governance structure within an organization as it helps to attain increase of return on assets. This is because auditing deals with huge investments and expenditures especially assets.

The success and failure of the auditing process result from government policies, scope of the work and the size of the auditing committee which affect both the external and auditing process and as well affect financial performance of corporations.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter helped to review the related literature on role of auditing on financial performance of corporations in western region. The research based on the research objectives which were intended to; examine the role of value for money on financial performance of corporations, examine the role of transparency of books of accounts on detection of fraud and identify the role of compliance to the accounting convections on corporate profitability. The information was obtained from books, journals, internet, and news papers.

2.1 Theoretical review

Adams (1994) in his article stated that audit theory can provide for richer and more meaningful research in audit discipline. The theory contends that auditing, in common with other intervention mechanisms like financial reporting and external audit helps to maintain cost-efficient contracting between owners and managers. The theory may not only help to explain the existence of audit in organizations but can also help explain some of the characteristics of the audit department, for example, its size, and the scope of its activities, such as financial versus operational auditing. The theory employed can be tested empirically whether cross-sectional variations between auditing practices reflect the different contracting relationships emanating from differences in corporations. The goal of an audit is to test the reliability of a company's information, policies, practices and procedures. Government regulations require that certain financial institutions undergo independent financial audits, but industry standards can mandate audits in other areas such as safety and technology. Regardless of the audit subject, various factors impact a company's final results, and the contingency theory takes these factors into account during the audit process Witt, (2001).

2.2 Conceptual reviews

Recent scandals in corporations in Kisoro district and the resultant outcry for transparency and honesty in reporting have given rise to two disparate yet logical outcomes. First, Auditing skills have become crucial in untangling the complicated accounting manoeuvres that have obfuscated financial statements. Second, public demand for change and subsequent regulatory action has transformed corporate governance through auditing. Increasingly, company officers and directors are under ethical and legal scrutiny. Both trends have the common goal of responsibly addressing investors'concerns about the financial reporting system. However there has been laxity in implementation of audit findings and recommendations in western Uganda Kisoro in particular.

According to Mutima (2012) Corporations in Uganda have not been without crisis, the shortcomings of Uganda's corporations prior to the crisis of the late 1980s, and then the effect of the measures subsequently introduced by Uganda's Central Bank was meant to improve performance. Corporations could be established by any investor almost at will, shareholders and directors escaped any vetting procedure, the role of auditing was poorly defined and due diligence and corporations supervision inadequate. These shortcomings led to what Karugor Gatamah of the Centre for Corporate Governance based in Kampala describes as "imprudent lending practices, excessive investment in fixed assets and inadequate systems to measure, identify and control risk". Otieno (2012) researched on effects of corporate governance on financial performance of commercial banks in Uganda. He concluded that corporate governance plays an important role on bank stability, performance and bank's ability to provide liquidity in difficult market conditions.

2.3 Related review

According to Robertson (1976) Auditing may be defined in several ways depending upon what purpose is to be served. Pickett (1976) stated that audit is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The Board of Directors of the Institute of Auditors in June 1999 described audit as an independent, material and consultancy activity, which adds value and improves the functioning of an organization. It helps the organization achieve its aims by means of a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and the management process. Auditing is a part of the repetitive monitoring of the internal control systems of the bank and its procedures for evaluating internal capital. As such, it assists management and the board of directors in the effective performance of their responsibility as outlined above (Gramling, 1997).

According to Beyanga (2011), an effective audit service can, in particular, help reduce overhead, identify ways to improve efficiency and maximize exposure to possible losses from inadequately safeguarded company assets all of which can have a significant effect on the financial performance of an organization. Fadzil et al (2005) also noted that auditors help run a company more efficiently and effectively to increase shareholders value. Finally Hermanson and Rittenberg (2005) argued that the existence of an effective internal audit function is associated with superior organizational performance.

Chepkorir (2010) established that auditing helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. The internal audit activity evaluates risk exposures relating to the organization's governance, operations and information systems. The internal auditors are expected to provide recommendations for improvement in those areas where opportunities or deficiencies are identified.

2.4The role of value for money on financial performance of corporations

A corporation can be viewed as a nexus of contracts designed to minimize contracting costs (Coase 2007). Parties contracting with the firm desire information both about the firm's ability to satisfy the terms of contracts and the firm's ultimate compliance with its contractual obligations. Financial accounting information supplies a key quantitative representation of individual corporations that supports a wide range of contractual relationships. Financial accounting information also enhances the information environment more generally by disciplining the unaudited disclosures of managers and supplying input into the information processing activities of outsiders. The quality of financial disclosure can impact firms' cash flows directly, in addition to influencing the cost of capital at which the cash flows are discounted. We posit three channels through which financial accounting information improves economic performance Piotroski, and Smith 2001).

While the catch phrase VfM has been increasingly emphasized in the arena of UK development assistance following the recent nation-wide budget cuts, the concept itself is far from new. Already in the 1980s and the 1990swere development corporations across the world involved in discussions regarding efficiency and effectiveness, Option Appraisal, and multiple paths to achieving outcomes.3The proliferation of non-governmental corporations as development actors over the last decade of the millennium entailed intensified scrutiny of their purported effectiveness in the provision of aid. Building on the abovementioned conceptual insights, this report identifies a number of important dimensions and proposes a simplified framework to assess potential techniques for measuring VfM Walsh, Jr., F.J. (2003). According to this framework, measurement techniques differ mainly in their ability to measure what matters, to measure comparably, and to measure contribution.

Having established the international backdrop on Aid Effectiveness and the quest for results, the sector has not yet defined where in this diverse landscape of approaches the current debate on VfM positions itself. Some stakeholders and development practitioners interpret VfM to be synonymous to, or at least complementary with, the overall Aid Effectiveness agenda Whittington, O.R., and K. Pany (2008). It has been referred to as a „subset" of the debate on Aid Effectiveness, particularly referring to the Managing for Development Results pillar of the Paris Declaration, suggesting that the way to ensure VfM is to use the Aid Effectiveness principles to guide all interventions.

Value for money and auditing information of firms and their competitor's aid managers and investors in identifying and evaluating investment opportunities. An absence of reliable and accessible information in an economy impedes the flow of human and financial capital toward sectors that are expected to have high returns and away from sectors with poor prospects. Even without agency conflicts between managers and investors, quality financial accounting data enhances efficiency by enabling managers and investors to identify value creation opportunities with less error Palepu (2000). This leads directly to more accurate allocation of capital to highest valued uses, as indicated by arrow in the exhibit. Lower estimation risk can also reduce the cost of capital, further contributing to economic performance.

Ramaswamy (2005) states that poor corporate governance and accounting failure is one of the reasons why fraud cases emerge. This is because poor corporate governance will lead to the ability of certain individual or a group of people with the same interest to act upon it to commit fraudulent activities in the company. He also states that the problems within the corporate reporting system as a reason because of lack of well implemented policy of corporate governance. This can be reinforced by the fact that top level management should follow the policies of the firm which will help the company to perform better. The problem comes from the fact that certain corporate leaders do not have positive attitude regarding the policies.

2.5 The role of transparency of books of accounts on detection of fraud

Transparency of books of accounts, while not a goal in itself, is a prerequisite for public participation and accountability. A budget that is not transparent, accessible, and accurate cannot be properly analyzed. Its implementation cannot be thoroughly monitored nor its outcomes evaluated. Given the technical nature of budgets and the budget process, transparent of books of accounts require that the information contained in budgets be presented in simplified form and actively disseminated to citizens. Furthermore, such information must be disseminated in a timely manner so that citizens can effectively provide feedback that can influence policy formulation and resource reallocation Bhattacharya and Daouk (2001).

Lack of honesty and transparency in reporting financial statement is another problem. It is agreeable that an auditor does not have the absolute duty to uncover fraud, but they should practice fair and true reporting to ensure that the interests of the public as well as the employees are protected. With the use of forensic accounting guidelines, auditors can act as forensic accountants in cases of suspicious fraud or criminal activities in a company. Ineffective and inefficient system of internal control which is stated by the author points out that a weak management cannot be changed with internal control system. Even if a company applies good internal control systems, the management will still be the major factor influencing the implementation. Companies should look towards new approaches rather than follow the traditional approach as forensic accounting may be the next best alternative in resolving problems. Ramazani and Refiie (2010) studied the accountants' perception of prevention methods of fraud. In this research they examined accountants' perception of forensic accounting which demonstrates the low extent of accountant's perception of forensic accounting. Forensic accounting is considered as one of the factors in fraud prevention. (Bierstaker, Brody and Pacini, 2006).

Fraud is a worldwide phenomenon that affects all continents and all sectors of the economy Giner, B., & Arce, M. (2004). Fraud encompasses a wide-range of illicit practices and illegal acts involving intentional deception, or misrepresentation. According to the Association of Certified Fraud Examiners (ACFE), fraud is "a deception or misrepresentation that an individual or entity makes knowing that misrepresentation could result in some unauthorized benefit to the individual or to the entity or some other party". In other words, mistakes are not fraud. Indeed, in fraud, groups of unscrupulous individuals manipulate, or influence the activities of a target business with the intention of making money, or obtaining goods through illegal or unfair means. Fraud cheats the target organization of its legitimate income and results in a loss of goods, money, and even goodwill and reputation. Fraud often employs illegal and immoral, or unfair means. It is essential that organizations build processes, procedures and controls that do not needlessly put employees in a position to commit fraud and that effectively detect fraudulent activity if it occurs. The fraud involving persons from the leadership level is known under the name "managerial fraud" and the one involving only entity's employees is named "fraud by employees' association".

Fraudulent financial reporting can have significant con- s equences for the organization and its stakeholders, as well as for public confidence in the capital markets. Periodic high-profile cases of fraudulent financial reporting also raise concerns about the credibility of the US financial reporting process and call into question the roles of management, auditors, regulators, and analysts, among others Izedonmi, F. O. I. (2001). Moreover, corporate fraud impacts organizations in several areas: financial, operational and psychological. While the monetary loss owing to fraud is significant, the full impact of fraud on an organization can be staggering. In fact, the losses to reputation, goodwill, and customer relations can be devastating. When fraudulent financial reporting occurs, serious consequences ensue. The damage that result is also widespread, with a some- times devastating "ripple" effect. Those affected may range from the "immediate" victims (the company's stockholders and creditors) to the more "remote" (those harmed when investor confidence in the stock market is shaken). Between these two extremes, many others may be affected: "employees" who suffer job loss or diminished pension fund value; "depositors" in financial institutions; the company's "underwriters, auditors, attorneys, and insurers"; and even honest "competitors" whose reputations suffer by association.

The important step in development of a more comprehensive framework for conceptualizing and measuring the key aspects of the domestic information environment. A fundamental feature of the information environment is corporate transparency, defined as the widespread availability of relevant, reliable information about the periodic performance, financial position, investment opportunities, governance, value, and risk of publicly traded firms Kantudu, A. S. (2006). As a measure of corporate transparency, the CIFAR index used in prior studies has at least three major shortcomings. First, it captures only one dimension of the quality of corporate reporting-disclosure intensity. Second, the CIFAR index does not capture cross-country differences in the extent, speed, or accuracy with which information reported by firms is disseminated throughout the economy Wallace, R. S. O. (2008). Third, the CIFAR index does not incorporate cross-country differences in private information acquisition and communication activities.

The representation of corporate transparency allows a variety of research questions to be addressed. There are three sets of questions for future research: 1) the relation among measures of the quality of corporate reporting, information dissemination, and private information acquisition and communication in an economy; 2) the economic consequences of the quality of corporate reporting, information dissemination, and private information acquisition, including interactions among these three elements of corporate transparency and interactions with legal and other domestic institutions; and 3) political, economic, or other reasons for cross-country or intertemporal differences in corporate transparency Demski, and Ryan [2000].

Transparence of books of accounts is the specialty area of the accountancy profession which describes engagements that result from actual or anticipated disputes or litigation. "transparency" means "suitable for use in a court of law," and it is to that standard and potential outcome that transparence accountants generally have to work (Crumbley, Heitger and Smith, 2005). Transparence of books of accounts is recognized as a particular form of professional expertise and endowed with specific attributes; the recognition comes from possessing a formal certification in transparence of books of accounts which provides symbolic value (Williams, 2002).

Transparence of books of accounts is a science dealing with the application of accounting facts and concepts gathered through auditing methods, techniques and procedures to resolve legal problems which requires the integration of investigative, accounting, and auditing skills (Arokiasamy and Cristal, 2009; Dhar and Sarkar (2010). Stanbury and Paley-Menzies (2010) state that transparence of books of accounts is the science of gathering and presenting information in a form that will be accepted by a court of jurisprudence against perpetrators of economic crime. Hopwood, Leiner, and Young (2008) argued that transparence of books of accounts is the application of investigative and analytical skills for the purpose of resolving financial issues in a manner that meets standards required by courts of law. Degboro and Olofinsola (2007) noted that forensic investigation is about the determination and establishment of fact in support of legal case. That is, to use forensic techniques to detect and investigate a crime is to expose all its attending features and identify the culprits.

Transparence of books of accounts has been pivotal in the corporate agenda after the financial reporting problems which took place in some companies around the world. For instance, Enron, Tyco, and WorldCom. These scandals resulted in the loss of public trust and huge amounts of money. In order to avoid fraud and theft, and to restore the badly needed public confidence, several companies took the step to improve the infrastructure of their internal control and accounting systems drastically. It was this development which increased the importance of accountants who have chosen to specialize in transparence of books of accounts and who are consequently referred as forensic accountants. Baird and Zelin (2009) say that transparence of books of accounts is important investigative tool for detection of fraud.

2.6 Compliance to the accounting convections on corporate profitability.

Izedonmi (2001) defined accounting standard as an information system through which financial and monetized information is generated for economic, social and political decisions. According to him, statements of accounting standards are developed to ensure a high degree of standardization in publishing financial statements. The procedure provides necessary guides on how accounting information should be prepared and presented in order to enhance the value of its contents and facilitate thorough understanding. Accounting standards are not only developed to ensure a high degree of standardization and uniformity in publishing of companies' financial statement, but they are also useful to all users of accounting information. Banks' compliance with accounting standards ensures standardization and efficiency in financial reporting. Accounting standards also have a significant impact on the financial system, in particular, via their potential influence on the behaviour of economic agents. Accounting standards are guidelines which define how companies have to display transactions and events in their financial statements. These are not purely technical rules but they are the outcome of highly political processes (Fogarty, Hussein & Ketz, 1994). This means that there are different actors who come into contacts with or are influenced by accounting standards - e.g. preparers, managers, accounting firms, auditors, financial analysts and employees. All these actors might have different options and interests about what an accurate and useful accounting standard is and therefore might have different incentives in the production and diffusion of accounting standards (Giner & Arce, 2004). Although, academics and practitioners agree on the importance of compliance with the requirements of accounting standards as an essential element of financial reporting infrastructure, many scholars argue that the extent to which standards are enforced and violations prosecuted are as important as the standards themselves (Sunder 1997). Thus, the quality of financial information is a function of both the quality of accounting standards and the regulatory enforcement or corporate application of the standards (Kothari, 2000 & Hope, 2003). Absence of adequate enforcement, therefore, renders the best accounting standards inconsequential. This is because if nobody takes action when rules are breached, the rules remain requirements only on paper. However, in some environments, firms behave towards "mandatory" requirements as if they were voluntary (Giner & Arce, 2004; and Cooper & Robson, 2005). Even though accounting policy disclosures are required in most countries as well as by IAS 1 (Frost & Ramin, 1997) document considerable variations in accounting policy disclosures within and across countries. The importance of compliance with the requirements of accounting standards is that it enhances transparency, accountability, standardization, uniformity and comparability which in turn enriches the quality of decision of the users and helps in proper allocation of resources in an economy.

Izedonmi (2001) examined the level of corporations' compliance with accounting standards and the overall empirical evidence suggested that quoted banks largely complied with the requirement standards. Adeyemi (2005) studied the impacts of compliance with financial reporting standards on organisational performance. The sample comprised 96 companies in Nigeria. The findings of the study showed that Nigerian companies comply with accounting standards reasonably well. The level of compliance was, however, less than the international benchmark of 91%, and there were variations in the depth of disclosure by the studied companies. The study also found that compliance with accounting standards had a significant positive impact on the performance of the companies. There was no significant relationship between companies' sizes and compliance with accounting standards. Kantudu (2005) examined the level of Nigerian Quoted Companies' compliance with the requirements of SAS No 2 that is information to be disclosed in financial statement. Based on a study of 25 sample firms covering a period of 5 years (1998 – 2003), the study found that gap existed between standard requirements and disclosure practice of the listed firms. In a similar research, Kantudu (2006) investigated the impact of enforcement power given to Nigerian Accounting Standards Board on compliance, specifically, with the standard on employees' retirement benefits. The investigation covered a period of 10 years and 30 companies. The findings of the study indicated that the Act significantly influenced the application index. However, showed that there was less variability on the application of accounting standards on employees' retirement benefits. Oghuma and Iyoha (2006) investigated the level of compliance of listed insurance companies with accounting standards.

Corporations are essential sector in the development of any nation. They facilitate efficient mobilization of human and material resources, pooling of savings and allocation of funds to the investment outlets. Banks also provide liquidity and capital to firms in their production processes and facilitate a reliable payment system; thus providing a variable platform for an effective monetary policy management. They provide opportunities for financial transactions and manage the financial assets and liabilities of other economic units of a nation. Banks mobilize deposits, provide credits, and offer professional advice to investors and act as agents of government in the implementation of various monetary and macro-economic policies. In Nigeria, banks have been accepted as catalysts to national development. For instance, the Fourth National Development Plan (1981-1985) emphasized that the banking system in Nigeria would continue to be encouraged and guided to respond to the challenges of national development. Similarly, Izedonmi (2001) noted that banks help to allocate available resources by mobilizing funds from non-productive channels to finance investment activities in productive sectors and increase capital formation. According to the author, banks also promote financial integration of the various sectors in Nigeria. This is because funds are mobilized from areas with surplus funds to areas of deficit. Financial information is crucial for the economy and the quality of financial statements depends on the accounting standards on which they are based.

Accounting standards have a direct impact on supervisory work and on central banks' oversight given that banks' accounts form the basis for calculating financial and regulating ratios. Hence, non-compliance with the Accounting Standards and rules affect market perception, financial ratios and reports that supervisors use for assessing both the condition of individual banks and along with central banks, the global condition of the financial system. The Accounting profession, through the issuance of standards, provides direction and guidance on how banks and business enterprises could achieve the goal of proper record keeping, transparency, uniformity, comparability and enhancing public confidence in financial reporting. Thus, failure on the part of the firm to apply the requirements of accounting standards result in inconsistencies, lack of accountability, transparency, and distortions in financial reports, which in turn results in poor financial reporting practices and dissemination of accounting information that is of less value to any particular group of users.

This is because the preparation and presentation of financial statements lacks objectivity, reliability, credibility and comparability, and thus, results in fraudulent business practices, which subsequently lead to business failure, and become devastating on the national economy (Katundu, 2005). However, despite the importance and endless benefits that accrue to an economy through effective compliance with accounting standards, there have been only few studies conducted in the area. As far as the researcher is aware, there are only few studies on the relationship between banks' level of compliance with statement of accounting standards and performance of Nigerian Banks.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter dealt with research design, research population, sample size, instrumentation, validity, reliability, data gathering procedures, data analysis, ethical considerations and limitations of the study.

3.1 Research Design

The study used descriptive case designs using both qualitative and quantitative approaches. Quantitative approach was used because it was more accurate in terms of data collection and yet again more reliable in terms of research results. This meant that quantitative research design was used for expressing the numerical information that was captured during the study which could not be easily expressed in words. Qualitative research approach was used because it helped in analyzing the data that was interpreted by words in order to give meaning to the presented numerals.

3.2 Research Population

The target population of the study was selected from Kisoro Town Council especially from the owners and employees working in corporations. This study intended to tackle a group of 57 people. The total population therefore was 57; these were selected for data collection.

3.3.1 Sample Size

The sample population was selected from the research population of 57 respondents using, using Slovene's Formula to come up with appropriate sample size to be used in the study.

Slovene's Formula stated that, given a population, the minimum Sample size was given by: The sample size was calculated mathematically using the formula below;

$$n = \frac{N}{1 + N\alpha^2}$$

Where; n = the sample size

N = total population of respondents that is 70.

α = the level of significance, that is 0.05

$$n = \frac{N}{1 + N\alpha^2}$$

$$n = \frac{57}{1 + 57\ (0.05)}$$

$$n = \frac{57}{1 + 57 * 0.0025}$$

$$n = \frac{57}{1.1425}$$

n= 49.8

n= 50

The study constituted 50 respondents.

Table 1: showing the sample size of respondents.

Nature of respondents	**Number**
Auditors	25
Accountants	15
Corporations managers	5
Council administrators	10
Total sample size	**50**

3.3.2 Sampling techniques and Procedure

It's the process of extracting a portion of the population from which generalization to the population can be made. İşman, A. et al. (2003) Because of resource constraints, a small sample was chosen and handled using simple random sampling to select the sample population and the respective people for data collection. Then the researcher selected simple random sample independently from each Sub–population. Purposive sampling was used in the selection of management of the Division, this was because these were perceived to have more suitable information so purposive sampling enabled the attaining data from those officials with key knowledge.

3.4 Sources of data

In this study two types of data were used by the researcher, in that secondary and primary data was used.

3.4.1 Primary data

Primary data is that data collected afresh and for the first time, has not been processed (Mugenda, 2006). Primary Data involved the use of questionnaires and interview as common research tools to collect data. This aimed at collecting primary data from the selected respondents.

3.4.2 Secondary data

Secondary data was information which had been already collected by someone else for other purposes and could be used to compile data or raw data. Secondary data was obtained through notes, correspondences and minutes of meetings from, journals published in majorly on the role of auditing on financial performance of corporations in western Uganda.

3.5 Data collection Methods

3.5.1 Questionnaire method

This is a technique in which the researcher gives a list of short questions to the respondents requesting them to fill and collect them later. Closed ended questions were designed to suit the objectives used to effectively attain data for the study. The approved questionnaires were hand delivered to the respondents of Kisoro Town Council by the researcher and or any other research assistant to be appointed by the researcher. The researcher designed a questionnaire on role of auditing on financial performance of corporations in western Uganda and a 5 point scale rating. Therefore, a 5 point likert scale self-administered questionnaire comprising of statements and responses ranging from 1=Agree 2=Strongly Agree 3= not sure 4= disagree 5= strongly disagree will be formulated. Questionnaires were designed to capture all the aspects of the objectives of the study.

3.5.2 Interview method

The interview was one of the data collection methods. Rather than asking respondents to fill out questionnaires, interviewers ask questions orally and simultaneously record the respondents' answers. This data collection method generally decreased the number of the respondents that could not know the answers compared with self-administered surveys. Interviewers also provided a guard against confusing items. If a respondent has misunderstood a question, the interviewer can clarify, thereby obtaining relevant responses.

3.6 Validity and reliability of research instrument

To establish the validity of the instruments, the researcher administered questionnaires to the respondents in Kisoro Town Council. This was together with choosing a clear sample population that gave a representation of the entire population. Consultation on areas was of great importance and how to ask the respondents in the way that right information was got from them.

To establish the reliability of the instruments, the data was analyzed and fed accordingly. After data collection the researcher conducted a check of the information by subjecting secondary questionnaire guides in form of pre-examination so as to identify the correlation in the information given.

3.7 Data processing, Analysis and presentation

3.7.1 Data processing

The collected data was edited, sorted and coded in readiness for analysis.

3.7.2 Data Analysis

The collected data was organized, classified and analyzed using the frequency tables with the help of the Microsoft Excel to get the proper findings of the objectives of the role of auditing on financial performance of corporations in western Uganda.

3.7.3 Data Presentation

The analyzed data was presented in tables, pie charts and graphs with frequencies and percentages in order to come up with systematic and well organized information for decision makers.

3.8 Limitations of the study

Poor response, this was for the case of unanswered and semi-answered questionnaires and unwillingness of the respondents to answer the question during interviews.

The researcher found it difficult to access the confidential information. The researcher obtained an introductory letter and confirmed that the study was purely academic.

The problem of time constraint, the researcher pursued his academics alongside undertaking the research during that short period. This limited the desire to do intensive study in the variables under study. The researcher came with a Gantt chart to guide him in the study.

3.9 Ethical Considerations

The respondents were protected by keeping the information given confidential and where there was a need to reveal, consent was first obtained.

The questionnaires did not include the names of the respondents for issue of privacy and secrecy.

After the collection of data questionnaires were destroyed so that collected information couldn't leak.

CHAPTER FOUR

PRESENTATION, INTERPRETATION AND ANALYSIS OF FINDINGS

4.0 Introduction.

This chapter comprises of the findings that were gathered by the researcher from the people of Kisoro Town Council Kisoro District in relation to the topic (the role of auditing on financial performance of corporations in western region. The data is presented and interpreted in view of the objectives mentioned in chapter one of this research. The interpretation also sought to answer the research questions that were raised in chapter one. Presentation and interpretation of data in this chapter has been done with the aid of quantitative and qualitative methods for example the use of tables, graphs, percentages and personal analysis and interpretation presented in essay form.

Questionnaires were provided to 50 respondents who filled them to the best of their knowledge.

4.1 Demographic Characteristics

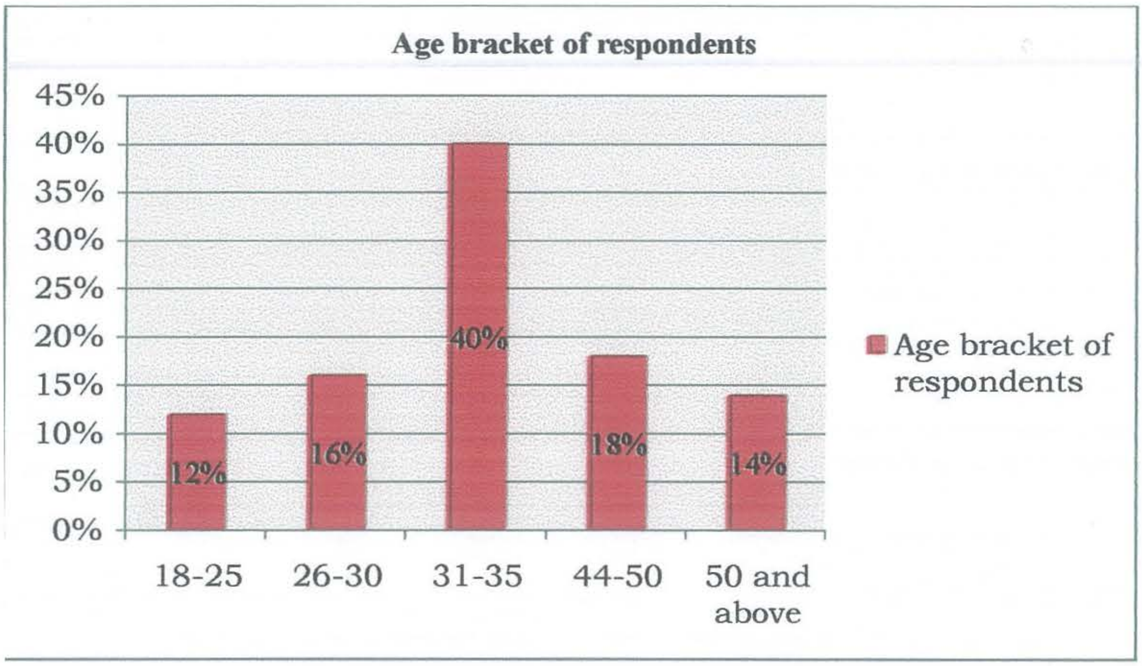
4.1.1 Age of respondents

Table i: Showing the age of respondents

Age brackets	**Frequency**	**Percentage**
18 – 25	6	12
26 – 30	8	16
31 – 35	20	40
44 – 50	9	18
50 and above	7	14
Total	**50**	**100**

Source: Primary Data

Figure 1: Showing the age of respondents



From the table and figure above, it is seen that 6 respondents representing 12% of the total respondents are in the age bracket of 18-25, 8 respondents representing a total number 16% were in the age bracket of 26-30, 31 -35 had 20 respondents representing 40% of total number of respondents 44-50 had 9 respondents representing a total number of 18% and 50+ had 7 respondents representing 14% of the total number of respondents.

The above information implied that corporations in Kisoro district employ only those who are above the constitutional age that is above eighteen. Employees within the age bracket of 50 and above were also few an implication that corporations respect retirement age.

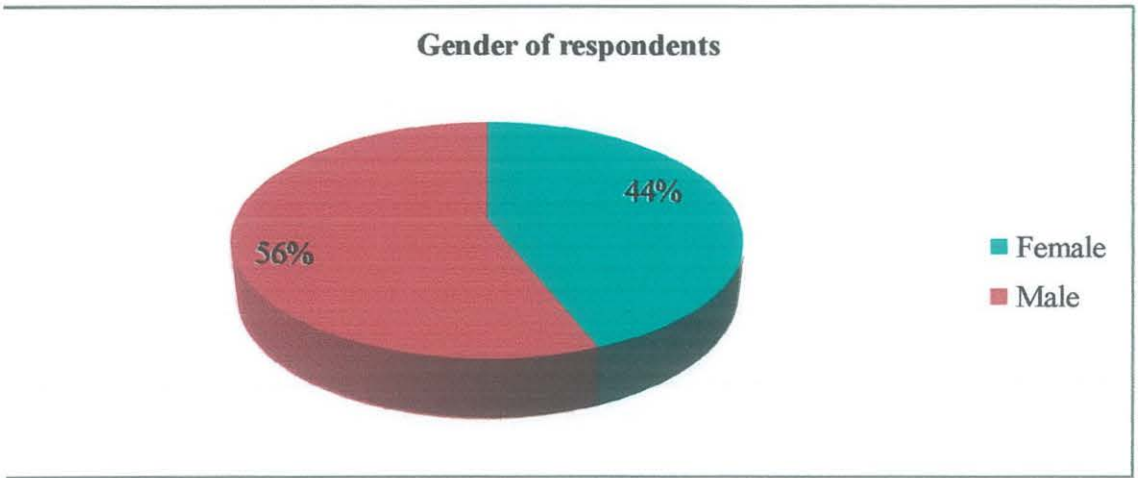
4.1.2 Gender of respondents

Table (ii) Showing Gender respondents

Respondents	Frequency	Percentage
Female	22	44
Male	28	56
Total	50	100

Source: Primary Data

Figure (ii): Showing gender respondents.



Source: Primary Data

Basing on the information indicated on the above table, majority of respondents were male that is 28 respondents representing 56% of the total respondents and 22 respondents were female representing 44% of the respondents.

The larger number of male exceeded the number of female because most of the corporations deal with the technical work that requires majority male than female respondents.

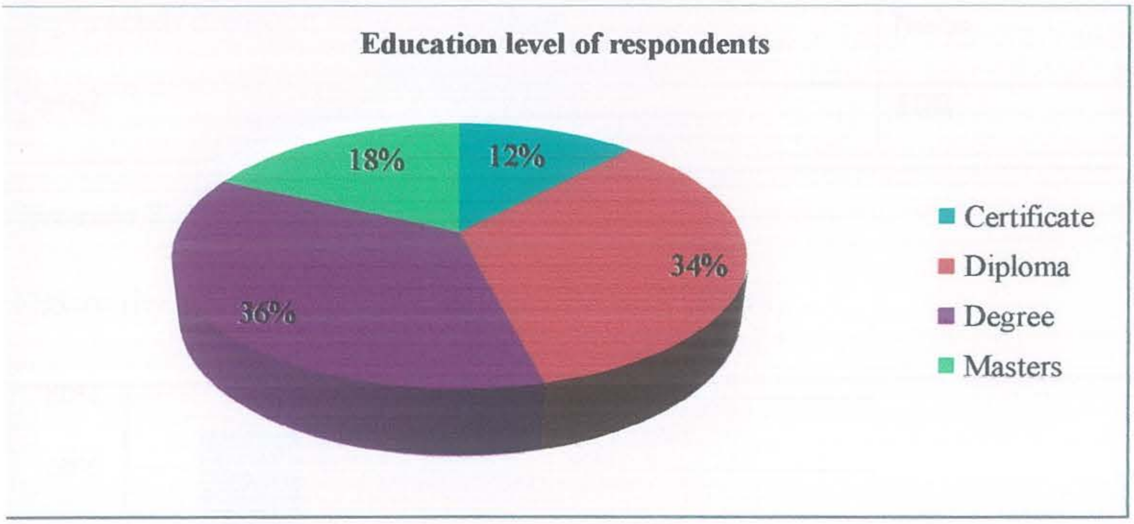
4.1.4 Academic qualification of respondents.

Table (iii) Showing academic qualifications of the respondents.

Qualifications	Frequency	Percentage
Certificate	6	12
Diploma	17	34
Degree	18	36
Masters	9	18
Total	**50**	**100**

Source: Primary Data

Figure (iii) Showing academic qualification of respondents.



Source: Primary Data

The table above clearly indicates that majority of the respondents were degree holders of 18 respondents representing a total percentage of 36%, followed by those with diploma 17 respondents representing 34% of the total respondents, followed by respondents with masters 9 respondents representing 18% of the

In regard to the information presented in the table and figure above, 70% of the respondents were single, 30% of the respondents were married and none had divorced.

This implied that the respondents were responsible people based on their status and their information was considered to be of a great value.

4.2. The role of value for money on financial performance of corporations.

The respondents were asked whether corporations aim at obtaining value for money and the results were expressed by the table as shown below.

Table (v) Showing whether corporations aim at obtaining value for money.

Response to whether corporations aim at obtaining value for money.	Frequency	Percentage
Yes	25	50%
No	10	20%
Not sure	15	30%
Total	**50**	**100**

Source: Primary Data

Based on the information presented on the table and chart above, 50% of the respondents agreed, 20% of the respondents disagreed and 30% of the respondents were not sure.

The information implied that the great need was to obtain value for money evidenced by the majority respondents who agreed.

The following are the ways corporations aim at obtaining value for money

Ways corporations aim at obtaining value for money	**Strongly Agree**		**Agree**		**Not Sure**		**Disagree**		**Strongly Disagree**		**Total**	
	F	**%**	**F**	**%**	**F**	**%**	**F**	**%**	**F**	**%**	**F**	**%**
Greatly seeking for reduction on assets purchased	20	**40**	10	**20**	12	**24**	5	**10**	3	**6**	50	**100**
Selecting viable contractors	9	**18**	12	**24**	4	**8**	16	**32**	9	**18**	50	**100**
Seeking the auditors information every end of the month	21	**42**	9	**18**	7	**14**	5	**10**	8	**16**	50	**100**
Purchasing within the financial budgets	25	**50**	14	**28**	5	**10**	4	**8**	2	**4**	50	**100**
Employing qualified personnel	17	**34**	14	**28**	6	**12**	9	**18**	4	**8**	50	**100**
Limiting cash outflow	20	**40**	13	**26**	3	**6**	9	**18**	5	**10**	50	**100**
Proper identification of investment opportunities	10	**20**	15	**30**	8	**16**	13	**26**	5	**10**	50	**100**
Establishment of strong hold decision making body	22	**44**	8	**16**	11	**22**	6	**12**	3	**6**	50	**100**

Source: Primary Data

In relation to the ways corporations aim at obtaining value for money, greatly seeking for reduction on assets purchased had 40% of the respondents who strongly agreed, 20% agreed, 24% disagreed, 10% respondents were not sure and 6%strongly disagreed.

Selecting viable contractors had 18% of the total respondents strongly agreed, 24% of the total respondents agreed, 8% of the total respondents were not sure, 32% of the total respondents disagreed, 18% of the respondents strongly disagreed.

Seeking the auditor's information every end of the month had 42% of the respondents who strongly agreed, 18% of the total respondents agreed, 14% of the total respondents disagreed, 10% of the total respondents were not sure and 16% of the total respondents strongly disagreed.

Purchasing within the financial budgets had 50% of the respondents strongly agreed 28% of the total respondents agreed, 10% of the total respondent disagreed and 8% of the total respondents were not sure and 4% strongly disagreed.

Employing qualified personnel had 34% of the respondents strongly agreed, 28% of the total respondents agreed, 12% of the total respondents were not sure, 18% of the total respondents disagreed and 8% of the respondents strongly disagreed.

Limiting cash outflow had 40% of the total respondents who strongly agreed, 26% of the total respondents agreed 6% of the total respondents were not sure 18% of the total respondents disagreed and 10% of the total respondents strongly disagreed.

Proper identification of investment opportunities 20% of the respondents agreed in respect with social events and celebrations 30% agreed, 16% of the respondents were not sure, 26% disagreed and 10% strongly disagreed.

Establishment of strong hold decision making body had 44% of the respondents who strongly agreed, 16% agreed, 22% were not sure, 12% disagreed and 6% of the total respondents strongly disagreed.

This implied that corporations obtained value for money evidenced by the majority respondents who strongly agreed and purchasing within the financial budgets had the majority. This was because maverick, un planned purchases lead to loss of money and affect the operation capacity of the corporation.

4.3 Impact of transparency of books of accounts on detection of fraud.

The respondents were asked whether transparency of books of accounts help to detect fraud and the results were expressed by the table as sown below.

Table: (vii) Showing the response to the impact of transparency of books of accounts on detection of fraud.

Response	Frequency	Percentage
Yes	27	54%
No	10	20%
Not sure	13	26%
Total	**50**	**100**

Source: Primary Data

The presented in the table above shows that 54% of the respondents agreed, 20% disagreed and 13% of the respondents were not sure.

This implied that transparency of books of accounts has a great influence on detecting fraud evidenced by the majority respondents who agreed.

The respondents were given a chance of ticking on the ways in which transparence of books of accounts help to detect fraud in Kisoro Town Council and the results were expressed by the table and the chart shown below.

Table: (viii) Showing the impact of transparency of books of accounts on detection of fraud

Impact of transparency of books of accounts on detection of fraud	Strongly Agree		Agree		Not Sure		Disagree		Strongly Disagree		Total	
	F	%	F	%	F	%	F	%	F	%	F	%
It provides a proper way of carrying out analysis	25	**50**	15	**30**	4	**8**	5	**10**	1	**2**	50	**100**
It helps in providing information in a simplified form	30	**60**	10	**20**	6	**12**	2	**4**	2	**4**	50	**100**
Timely access of information	32	**64**	9	**18**	2	**4**	4	**8**	3	**6**	50	**100**
It's a better way of providing feedback to stakeholders	28	**56**	11	**22**	3	**6**	6	**12**	2	**4**	50	**100**
It makes auditing become easier	20	**40**	14	**28**	8	**16**	3	**6**	5	**10**	50	**100**
It helps in giving a clear financial stand of the organization	27	**54**	6	**12**	4	**8**	7	**14**	6	**12**	50	**100**

Source: Primary Data

Basing on the data presented on table (vi) above, it provides a proper way of carrying out analysis had 50% of the respondents who strongly agreed, 30% agreed, 8% disagreed, 10% respondents were not sure and 2%strongly disagreed.

It helps in providing information in a simplified form had 60% of the total respondents strongly agreed 20% agreed, 12% disagreed, 4% of the respondents strongly disagreed and 4% were not sure.

Timely access of information had 64% of the respondents who strongly agreed, 18% of the total respondents agreed, 4% of the total respondents disagreed, 8% of the respondents were not sure and 6% of the total respondents strongly disagreed.

It's a better way of providing feedback to stakeholders had 56% of the respondents strongly agreed 22% of the total respondents agreed, 6% of the total respondents disagreed and 12% of the respondents were not sure and 4% strongly disagreed.

It makes auditing become easier had 40% of the respondents who strongly agreed, 28% of the total respondents agreed, 16% of the total respondents were not sure, 6% of the total respondents disagreed and 10% of the total respondents strongly disagreed.

It helps in giving a clear financial stand of the organization had 54% of the total respondents who strongly agreed, 12% of the total respondents agreed, 8% of the total respondents were not sure 14% of the total respondents disagreed and 12% of the total respondents strongly disagreed.

The respondent's views showed that there is a relationship between transparency of books of accounts and detection of fraud based on the majority respondents' views. Majority of the respondents who strongly agreed and those who agreed were the majority in relation to those who disagreed and those who strongly disagreed.

4.4 Compliance to the accounting convections on corporate profitability.

The following table shows compliance to the accounting conventions on corporate profitability and the results were expressed by the table as shown below.

Table (ix) Showing compliance to the accounting conventions on corporate profitability.

compliance to the accounting conventions on corporate profitability	Strongly Agree		Agree		Not Sure		Disagree		Strongly Disagree		Total	
	F	%	F	%	F	%	F	%	F	%	F	%
It helps in identifying the ways how accounting information should be prepared	37	**74**	3	**6**	4	**8**	1	**2**	5	**10**	50	**100**
They are also useful to all users of accounting information	30	**60**	7	**14**	2	**4**	8	**16**	3	**6**	50	**100**
Ensures standardization and efficiency in	20	**40**	10	**20**	5	**10**	7	**14**	8	**16**	50	**100**

financial reporting												
It's useful in catering for employees' retirement benefits.	18	**36**	12	**24**	10	**20**	4	**8**	6	**12**	50	**100**
It provides opportunities for carrying out financial transactions	25	**50**	4	**8**	0	**0**	5	**10**	16	**32**	50	**100**
Its one of ways of attracting customers	29	**58**	10	**20**	6	**12**	0	**0**	5	**10**	50	**100**
It increases the corporation's credibility	20	**40**	10	**20**	5	**10**	15	**30**	0	**0**	50	**100**

Source: Primary Data, 2015

In relation to compliance to accounting conventions and corporate profitability, 74% of the respondents strongly agreed that it helps in identifying the ways how accounting information should be prepared 6% agreeing as well, while 8% of the total respondents were recorded for not being sure, 2% of the total respondents disagreed and 10% strongly disagreed.

They are also useful to all users of accounting information had 60% of the respondents who strongly agreed 14% agreed, 4% of the total respondents were not sure, 16% disagreed and 6% strongly disagreed.

Ensures standardization and efficiency in financial reporting had 40% respondents who strongly agreed, 20% of the total respondents agreed, 10% of the total respondents were not sure, while 14% disagreed and 16% strongly disagreed.

It's useful in catering for employees' retirement benefits had 36% of the total respondents who strongly agreed, 24% of the total respondents agreed, 20% of the total respondents were not sure, while 8% of the total respondents disagreed and 12% strongly disagreed.

It provides opportunities for carrying out financial transactions had 50% of the total respondents who strongly agreed, 8% of the total respondents agreed, none were not sure, while 10% disagreed and 32% of the total respondents strongly disagreed.

Its one of ways of attracting customers had 58% of the total respondents who strongly agreed, 20% of the total respondents agreed, 12% were not sure, none disagreed and 10% of the total respondents strongly disagreed.

It increases the corporation's credibility had 40% of the total respondents who strongly agreed, 20% agreed 10% were not sure and 14 % disagreed and 16% strongly disagreed.

Based on the above information, the accounting conventions affect corporate profitability.

CHAPTER FIVE

SUMMARY, CONCLUSIONS, RECOMMENDATIONS

5.0 Introduction

This chapter contains a summary of the findings of the study; conclusion and recommendations to the variables therein with the objective of remedying the role of auditing on financial performance of corporations in western region. Using computer packages like Excel the study has made important findings, which are the basis of the policy recommendations entailed in this chapter.

5.1 Summary of the findings.

The study was intended to investigate on the role of auditing on financial performance of corporations in western region. The researcher set the research objectives which were intended to; find out the role of value for money on financial performance of corporations, establish the role of transparency of books of accounts on detection of fraud and asses the role of compliance to the accounting convections on corporate profitability. The researcher constructed a structured questionnaire which was inline with the research objectives.

5.1.1The role of value for money on financial performance of corporations

Inline with the researcher's objective which was intended to find out the role of value for money on financial performance of corporations, greatly seeking for reduction on assets purchased had 40% of the respondents who strongly agreed, selecting viable contractors had 18% of the total respondents strongly agreed, seeking the auditor's information every end of the month had 42% of the respondents who strongly agreed, purchasing within the financial budgets had 50% of the respondents strongly agreed, employing qualified personnel had 34% of the respondents strongly agreed, limiting cash outflow had 40% of the total respondents who strongly agreed, proper identification of investment opportunities 20% of the respondents agreed and establishment of strong hold decision making body had 44% of the respondents who strongly agreed and this implied that corporations obtained value for money evidenced by the majority respondents who strongly agreed and purchasing within the financial budgets had the majority. This was because maverick, un planned purchases lead to loss of money and affect the operation capacity of the corporation.

5.1.2 The role of transparency of books of accounts on detection of fraud

Based on the above objective, it provides a proper way of carrying out analysis had 50% of the respondents who strongly agreed, it helps in providing information in a simplified form had 60% of the total respondents strongly agreed, timely access of information had 64% of the respondents who strongly agreed, it's a better way of providing feedback to stakeholders had 56% of the respondents strongly agreed, it makes auditing become easier had 40% of the respondents who strongly agreed, it helps in giving a clear financial stand of the organization had 54% of the total respondents who strongly agreed and the respondent's views showed that there was a relationship between transparency of books of accounts and detection of fraud based on the majority respondents' views. Majority of the respondents who strongly agreed and those who agreed were the majority in relation to those who disagreed and those who strongly disagreed.

5.1.3 The role of compliance to the accounting convections on corporate profitability.

In regard to the above objective, 74% of the respondents strongly agreed that it helps in identifying the ways how accounting information should be prepared 6% agreeing as well, they are also useful to all users of accounting information had 60% of the respondents who strongly agreed, ensures standardization and efficiency in financial reporting had 40% respondents who strongly agreed, it's useful in catering for employees' retirement benefits had 36% of the total respondents who strongly agreed, it provides opportunities for carrying out financial transactions had 50% of the total respondents who strongly agreed, its one of ways of attracting customers had 58% of the total respondents who strongly agreed, it increases the corporation's credibility had 40% of the total respondents who strongly agreed and the implication was that the accounting conventions affect corporate profitability.

5.2 Conclusions.

5.2.1The role of value for money on financial performance of corporations

Value for money can be attained by corporations a warding contract in a way that minimize contracting costs. Parties contracting with the firm are required to obtain information both about the firm's ability to satisfy the terms of contracts and the firm's ultimate compliance with its contractual obligations. Financial performance of corporations can be viewed in a way accounting information enhances the information environment more generally by disciplining the unaudited disclosures of managers and supplying input into the information processing activities of outsiders. The quality of financial disclosure can impact firms' cash flows directly, in addition to influencing the cost of capital at which the cash flows are discounted. Therefore, the researcher concluded that value for money play a significant role in enhancing financial performance of corporations.

5.2.2 The role of transparency of books of accounts on detection of fraud

The researcher also found out that transparency of books of accounts help in detecting fraud. Auditing play an important role on financial performance of corporations in western region and the process of audit interviews within corporations and review of audit reports, employees and employers get a greater understanding of the functions they perform and why the functions are important. Transparency of books of accounts often lead to process improvement discoveries or efficiency breakthroughs and such exchanges with auditors can provide employees and employers with new perspectives on their positions triggering ideas for process improvements or new business possibilities.

5.2.3 The role of compliance to the accounting convections on corporate profitability.

The researcher also found out that compliance to the accounting convections influence corporate profitability. Compliance to the accounting convections help the corporations to achieve long term profitability targets and maintain reliable, financial and managerial reporting. Therefore, success of every organization depends on its financial stand which is only accurate when the audit procedures are properly followed and must comply to accounting convections.

5.3 Recommendations.

5.2.1The role of value for money on financial performance of corporations

Since value for money is required from every purchase, auditor should bring to public accountability by providing access to this performance information to stakeholders within and outside of the organization under audit. Elected and appointed officials as well as public sector managers are responsible for setting direction and defining organizational objectives which are achieved by verifying the books of accounts in relation to the items purchased. In addition, managers have the duty to assess risks and establish effective controls to achieve objectives and avert risks. In their oversight role, government auditors should assess and report on the success of these efforts and hence more emphasis should established in appointing more auditors to getting proper information in regard to the items purchased in relation to the amount spent.

5.2.2 The role of transparency of books of accounts on detection of fraud

Government auditors should help corporations to look forward by identifying trends and bringing attention to emerging challenges before they become crises. The audit activity can highlight challenges to come — such as from demographic trends, economic conditions, or changing security threats — and identify risks and opportunities arising from rapidly evolving science and technology, the complexities of modern society, international events, and changes in the nature of the economy. These issues often represent long-term risks that may far exceed the terms of office for most elected or appointed officials, and can sometimes receive low priority for attention where scarce resources drive more short-term focus on urgent concerns for the purpose of obtaining transparent results.

The scope of audit should be defined and the evaluation books, files and a logbook should be kept well. The main objectives of documentation besides helping the auditing team are to record the audit evidence in support of conclusions and decisions, to provide records to assist audit management and monitoring, and to enable work to be reviewed by senior officers.

5.2.3 The role of compliance to the accounting convections on corporate profitability.

The corporations should continuously and periodically evaluate the effectiveness of its internal controls. This will help to reduce frauds that lead to corporation's downfall which usually results from non compliance with low level accounting procedures; break down in the control environment due to poor books of accounts.

The district should work hand in hand with the government and establish systems and procedures for quality assurance especially for auditors. The budget and timetable should be documented and followed by government officials. Progress against these targets should be monitored. The audit manager and Audit committee management should be responsible for ensuring that procurement audit is completed within budget and on time. Quality control procedures should be designed to ensure that all audits are conducted in accordance with relevant standards and policies without any deviation.

5.4 Areas for further research.

Due to time and research constraints, the researcher recommendations the following areas that should be further researched.

- The role of internal auditing on financial performance of organizations.
- The role of auditing on profit maximization of private sector organizations.
- Impact of auditing on tax assessors.

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APPENDIX A: RESEARCH QUESTIONNAIRE

I Nsengiyumva Godfrey a student of Kampala International University pursuing a bachelor's degree in Business Administration. This research is for academic purpose and seeks to investigate on the role of auditing on financial performance of corporations in western Uganda. Using Kisoro Town Council as a case study.

In this section, you are kindly requested to tick (√) that alternative response that fits your opinion.

SECTION (A)-DEMOGRAPHIC ASPECTS

1. Age

18 – 25 years ☐

26 – 30 years ☐

31 – 35 years ☐

44 – 50 years ☐

Above 50 years ☐

2. Gender

Male ☐

Female ☐

3. Qualification academically

Certificate ☐

Diploma ☐

Degree ☐

Masters ☐

4. Marital status

Single ☐

Married ☐

Separated/divorced ☐

SECTION B: The role of value for money on financial performance of corporations.

5. Do these corporations aim at obtaining value for money?

   Yes ☐

   No ☐

   Not sure ☐

6. If yes, the corporations aim at obtaining value for money in the following ways. **Please rate /indicate/ tick (√) appropriately your response with respect to the importance of the statements below**:

1. Strongly Agree	2 Agree	3 Not Sure	4 Disagree	5 Strongly Disagree

	Items	1	2	3	4	5
1	Greatly seeking for reduction on assets purchased					
2	Selecting viable contractors					
3	Seeking the auditors information every end of the month					
4	Purchasing within the financial budgets					
5	Employing qualified personnel					
6	Limiting cash outflow					
7	Proper identification of investment opportunities					
8	Establishment of strong hold decision making body					

If others, please specify them;

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....

....

SECTION C: Impact of transparency of books of accounts on detection of fraud.

Please tick the most appropriate answer

7. Does transparence of books of accounts help to detect fraud in this Town Council?

Yes ☐

No ☐

Not sure. ☐

8. If yes, the ways in which transparence of books of accounts help to detect fraud in this Town Council.

1. Strongly Agree	2 Agree	3 Not Sure	4 Disagree	5 Strongly Disagree

	Items	1	2	3	4	5
1	It provides a proper way of carrying out analysis					
2	It helps in providing information in a simplified form					
3	Timely access of information					
4	It's a better way of providing feedback to stakeholders					
5	It makes auditing become easier					
6	It helps in giving a clear financial stand of the organization					

9. If any other, please mention.

....

....

SECTION D: Compliance to the accounting convections on corporate profitability.

11. If yes, the ways in which the corporations in Kisoro Town Council have been compliant to the accounting conventions for portability purposes. **Please rate /indicate/ tick (√) appropriately your response with respect to the importance of the statements below**:

1. Strongly Agree	2 Agree	3 Not Sure	4 Disagree	5 Strongly Disagree

	Items	1	2	3	4	5
1	It helps in identifying the ways how accounting information should be prepared					
2	They are also useful to all users of accounting information					
3	Ensures standardization and efficiency in financial reporting					
4	Its useful in catering for employees' retirement benefits.					
5	It provides opportunities for carrying out financial transactions					
6	Its one of ways of attracting customers					
7	It increases the corporation's credibility					

Thank you for your time and response.

May God Bless You.

APPENDIX II: ESTIMATED TIME FRAME

ACTIVITIES	PERIOD OF ONE YEAR				
	2 Months	3 Month	2 Months	3 Months	2 Months
A Pilot study					
Study analysis					
proposal design					
proposal development and submission					
Data collection and analysis					
Final report writing and submission					

APPENDIX III: ESTIMATED RESEARCH BUDGET

No	Item	Particulars	Description	Unit cost	Total
1	Stationery	Ream of papers	1	14,000	14,000
2	Field work	Transport	5 trips	30,000	150,000
		Accommodation	10 nights	20,000	200,000
		Laptop	Dell	800,000	800,000
5	Miscellaneous				50,000
	TOTAL				**1,473,000**