

BWIRE FRANCIS OGALLO
REG. NO.: 208-035053-01419
THE EFFECT OF STATUTORY AUDIT ON FINANCIAL PERFORMANCE IN
UGANDA INSTITUTE OF INFORMATION AND COMMUNICATIONS
TECHNOLOGY- NAKAWA

JANUARY 2016

ABSTRACT

Statutory audit, as an audit assurance and financial risk assessment, has received significant public and regulators attention in today's world. Statutory audit has been identified as the most effective control mechanism to ensure operational efficiency in the public sector. This study, therefore, investigated the effectiveness of the statutory audit in the public sector in promoting financial performance. The main objective of the study therefore was to examine the relationship between statutory audit and financial performance in UICT; specifically examining the effect of audit compliance, assessing the role of audit committees and analyzing the effect of audit implementation on financial performance of UICT. It reviewed history of statutory audit and factors that contribute to the effectiveness of statutory audit. A correlational research design was adopted and a total of 126 respondents including members of governing council and UICT staff were consulted. The study employed both qualitative and quantitative techniques of data collection and a high response rate of 85% was obtained. The data were analysed with the aid of Statistical Package for Social Sciences (SPSS), where descriptive and quantitative data as well as interpretational analysis (qualitative data) were used. The Pearson's correlation analysis revealed a significant positive relationship between audit compliance and financial performance ($r=0.299$, $P\text{-Value}<0.05$), between audit committee and financial performance ($r=0.262$, $P\text{-Value}<0.05$) and between audit implementation and financial performance ($r=0.286$, $P\text{-Value}<0.05$). The findings revealed a significant positive relationship between all components of statutory audit and financial performance. A multiple regression analysis of the three variables of statutory audit revealed that audit compliance was the most significant predictor of financial performance contributing to 89% of financial performance. The researcher recommended the establishment of audit committee to enhance independences to implement laws and regulations that strengthens financial performance; it draws attention to internal audit charter implementation as an enhancement of statutory audit; highlighted need to provide adequate resources and training of auditor staff and to regularly monitor of statutory audit findings and recommendations and ensure their implementations for effective financial performance. Suggestions for future studies were also proposed.