UGANDA MARTYRS UNIVERSITY

FRAUD PREVENTION MANAGEMENT AND ORGANIZATIONAL PERFORMANCE

CASE STUDY: NATIONAL SOCIAL SECURITY FUND (NSSF)

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DEDICATION

I humbly dedicate this work first and foremost to the Apple of my Eye Mrs. Proscovia Lutaaya Lukwago of the United Kingdom and the lovely nephews; Lincoln, Ian, Mark, Matthew and Calvin while not forgetting the lovely nieces Ivan and Siren.

My parents Mr. Silvester Lutaaya and Mrs. Phoebe Lutaaya and my sisters Irene Lutaaya (RIP), Justine Lutaaya, Winnie Lutaaya, my brother Ronnie Lutaaya and Dr. John Lukwago.

My apple tree comprised of Nabukeera Ritah, Namiiro Teddy, Nantege Liz, Nakazibwe Rebecca, Nakyambadde Carol, Ndagire Noeline, Achen Lwanja Vivian, Ajero Anne Caroline, Doreen Awori, Niwagaba Joshua, Nampagi Derrye, Sambwa Scott Ivan and Tusiimire Elizabeth, Nalwoga Charity, Nasser Ayub, Assusi Beatrice, Obabaru Gaddis Ivan

To all the people mentioned on this page, thanks for the warm welcome, friendship and support. For your pure and simple hearts, I will always love you, I will remember you.

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TO ALL THE PEOPLE ON THIS PAGE, AM EVERYTHING I AM SIMPLY BECAUSE U LOVED ME.

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LIST OF ABBREVIATIONS

NSSF	National Social Security Fund
ILO	International Labour Organization Convention
IV	Independent Variables
DV	Dependent Variables
GRN	Goods Received Note
IIA	Institute of Internal Audit
AICPA	American Institute of Certified Public Accountants
CEO	Chief Executive Officers
ICPAU	Institute of Certified Public Accountants of Uganda
MAT	Management and Accountancy Training Company

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ABSTRACT

The research report was commissioned to analyze the impact of fraud prevention management on organizational performance in NSSF as a case study. The research objectives were to assess accounting systems, to find out how segregation of duties facilitates fraud prevention management and to examine the role of internal audit in fraud prevention management as a key to organizational performance in NSSF.

Data was collected from respondents using self administered questionnaires, interviews and observations. A sample size of 70 respondents was used. Respondents constituted the general manager, accountant, finance manager, risk manager and staff dealing in operations. The sampling methods used were simple random sampling, purposive sampling and quota sampling methods.

Major findings showed that segregation of duties is paramount in all offices of the fund and serves as a critical component to the fund's internal control structure aimed at reducing opportunities for fraudulent activities. It minimized opportunities for employees to steal from the fund.

In addition, findings established that internal audit was organized within the fund and it is most commonly responsible for conducting fraud risk assessments, indentifying fraudulent schemes that the fund is most vulnerable to and develop alternative internal control systems to boast organizational performance. The entire function therefore serves as a consultant department on matters of controls. The , findings also revealed that the fund utilizes accounting systems at its process level and they are used to facilitate users by providing relevant information to make decisions and form judgments for example, they provide a clear and valid picture of how much income the fund is generating and how it is being spent on investment and overheads.

Conclusions were drawn basing on the research findings from which it was concluded that fraud prevention management can only be achieved with help of strong internal control systems already in place. But these systems alone are just not enough and it's for this reason that the fund management is insisting on the issue of competence of staff (the integrity of staff) needed to operate these internal control systems. The training of staff is therefore based on performance and attitude towards work and fellow employees.

Recommendations were made to improve risks management that included managing risks effectively and efficiently by striking an appropriate balance between risk and return, because profitability and balance sheet growth are functions of effective risk management.

In addition, providing feedback, by reporting to employees how they are, their group and the organization as a whole is performing against the expected goals and where possible, evaluating and rewarding behavior, in order to focus employee's attention on strategic priorities and to motivate them to take actions and make decisions, which are consistent with organizational goals.

Companies also cannot afford to lose good customers, therefore, they cannot accuse people of fraud without any sound evidence, but must be able to justify and explain why something is suspicious. Critical reflection is also action.

CHAPTER ONE

1.0 Introduction

This section presents the background to the study, the problem statement, purpose of the study, objectives of the study, research questions and hypothesis, scope of the study, justification of the study, significance of the study, and conceptual frame work. The key study variables included fraud prevention management and organizational performance.

1.1 Background to the study

The National Social Security Fund (NSSF) is a national savings scheme mandated by the government through the NSSF Act to provide social services to workers in Uganda. It covers all workers in the private sector including non-government organizations, who are not covered by the Uganda government pension scheme. It is a scheme established to protect workers against the uncertainties and hardships of social economic nature in their retirement.

In 1967, the government of Uganda, through an Act of parliament established the NSSF. The fund became operational in 1968 as the only provider of social security for workers in the private sector. The NSSF was set up in fulfillment of the International Labour Organization Convention (ICO) which requires member countries to provide minimum standards of social security for their citizens. Some people have viewed NSSF as an institution where workers keep money for a rainy day or where they can go when they have serious financial problems. (New vision, 14th-October 2009)

The key factor that are fuelling the growth of fraud at an organizational and personal level include severe financial pressures and increased globalization of companies as they struggle to maintain visibility of business.

The cost of fraud to business in 1996 was six percent of annual revenue. Everyone is victimized by high product costs and lower corporate profits. The cost of fraud to business today is mounting as is the level of concern among professionals.

According to Webster's Newworld dictionary, fraud is the intentional deception to cause a person to give up property or some lawful right. Fraud requires a theft, often accompanied by concealment of the theft and the translation of the stolen assets or resources into personal assets or resources. The cost of fraud to business is difficult to estimate because hot all fraud and abuse is discovered, not all uncovered is reported and civil or criminal action is not always perused.

A conservative estimate of the cost to organization is approximately six percent of annual revenue or over $400 billion annually. (Association of fraud examiners 1999) During 1995 and 1996, fraud and abuse accounted for over $ 9 per employee per day assuming a 365 days per year.

They are only estimates of the direct loss to business.

However, legal accounting and increased insurance costs and loss of productivity associated with hiring and firing employees are additional factors that must be considered. Data shows that overall cost of fraud is over double the amount of missing money or assets. Approximately one in twenty company failures are attributed to fraud. Approximately 58% of reported fraud is committed by non managerial employees, 30% by manager and 12% by owner executives.

The amount of money lost annually to government, private sector institutions and individuals in the united states alone is estimated to be equivalent to the gross domestic product of a country for example the size of Brazil.

The auditing profession in Nigeria has caught the media's attention following financial scandals in some of the Nigerian Banks such as Inter-continental Bank, Oceanic Bank, Afri Bank and Bank PHB among others. Fraud has increased over the recent years and professionals believe that this trend is likely to continue.

In Uganda, billions of money is lost through mobile money fraud.

MTN mobile money, Waridpesa, Airtel money and M-sente are some of the mobile money services affected. A source in the police public relations office admitted that they are struggling to catch up with the criminals behind the scam. "Because of so many unregistered sim cards, it is very hard to track suspects and arrest them. Other conmen use fake details to register sim cards used in mobile money fraud," they source said.

Timothy Arinanye 32, a mobile money agent lost shs. 3.5 million to a conman and with a bank loan to clear and no more startup capital, Arinanye's business collapsed. In another trick, conman master the agent's pin code by giving him or her invalid number which he repeatedly dials while entering his or her code. When he or she gives the fraudster the phone to type in the correct number, he sends the entire agent's money to him or herself and disappears. The agent realizes later that he was robbed. This is in general has a great effect on the performance of any business.

1.2Statement of the problem

It is generally accepted that strong financial management cuts fraud and increases profits. Since financial management establishes a strong internal control process in the day to day operations of a business (Banker Tilly Virchow Krause, LCP).

Despite measure like performing regular fraud risks, assessments in order to know the fraud schemes, a company is most vulnerable to and fraud audits. Fraud however is on the rise and actively threatens the quest to maintain the bottom line and keeps shareholders and other stakeholders happy.

The National Social Security Fund (NSSF) of Uganda has been in the news for all the wrong reasons. Tax payers are angry about the misuse of their money by the fund managers. It is important for the public to appreciate that most of the challenges facing NSSF today are of a transient nature. However, there is need to understand the feeling and frustration of the members of the public and contributors about the way money and investments have been handled in the fund in the last several years. (Newvision, 14th October 2009).

Unfortunately, all previous management teams of the fund have either been fired in disgrace or been charged in court and parliament and suspended over corruption. The NSSF is at the centre of the most high profile financial malpractice cases in Uganda today, and a former minister responsible for it fled into exile to avoid jail. David Chandi Jamwa was suspended over his involvement in the shs. 11.2 billion Temangalo land scandal. The auditor general in his report to parliament has faulted Jamwa and his deputy, Mando Kagonyera, for some of the financial losses suffered by the fund and has recommended their prosecution. (The independent, 4th May 2010)

Some other people, in frustration and anger about the way NSSF has been managed in the recent past, have suggested that NSSF is useless and should be scrapped altogether. This is understandable however, to us abolishing it is not an option in contemporary social economic life because workers have to save and invest for their old age to avoid poverty and a miserable life when they retire. What, however should be emphasized now is that NSSF as a saving scheme, should be protected and worker's money managed with high professional and ethical standards. (New vision, 14th October 2009)

It is due to corruption and fraud in the past years that occurred within the fund (NSSF) that the public maintained a bad image of the fund (NSSF) thinking that it was ran by inefficient and corrupt people.

Other institutions dealing in money transactions have also been party to such problems. As per the Newvision dated November 3rd 2000, Buganda road court, ordered a member of parliament Luuka County, Iganda district to appear and answer for charges for issuing a false cheque worth 75 millions.

In the transport industry, other companies could not go on continuous low profits due to fraud for example; the following companies are not in existence any more, Uganda transport company, Uganda people's transport and bus services.

According to the global economic crime survey (ECS) 2009 prepared by Pricewaterhousecoopers, over 60% of the company's overall turnover is potentially being lost to fraud. The insurance industry in particular is historically one of those most affected by fraud and this coupled with the economic recession is proving too significant a burden to bear for many. Thus, an absolute need to confront the crime ,

1.3 Purpose of the study

The main aim of the study was to analyze the elements of fraud prevention management and their impact on organizational performance with a view to ascertain effective ways of achieving fraud prevention management as a linkage to continuous growth and development of businesses in general.

1.4 Objectives of the study

i. To find out how segregation of duties facilitates fraud prevention management as employed in NSSF.

ii. To examine the role of accounting records and systems in organizational performance as employed in NSSF.

iii. To examine the role of internal audit in fraud prevention as employed in NSSF.

1.5 Research questions

i. How does segregation of duties facilitate fraud prevention management?

ii. What is the relationship between accounting records and systems and organizational performance?

iii. What is the role of internal audit in fraud prevention management?

1.6 Research hypothesis

i. Segregation of duties facilitates fraud prevention management.

ii. There is a relationship between accounting records and systems and organizational performance.

iii. Internal audit facilitates fraud prevention management.

1.7Scope of the study

1.7.1Content scope

The ranges of factors that facilitate fraud prevention management were investigated by looking at possible preventive measures established by management to overcome the problem of fraud and their impact on organizational performance.

1.7.2 Geographical scope

The research was conducted in Uganda under the Kampala Branch of NSSF.

1.7.3Time scope

The research covered financial years ranging from 2013-2014.

1.8 Justification of the study

The research proposal was commissioned to analyze the relationship between fraud prevention management and organizational performance. Nevertheless, the research also looked at possible preventive measures and the measures designed by management to overcome the problem.

1.9 Significance of the study

To the company

The research was beneficial to the NSSF by highlighting the areas under fraud prevention management that were still highly lacking and called for further strengthening and implementation in terms of practice and their impact on performance as a business.

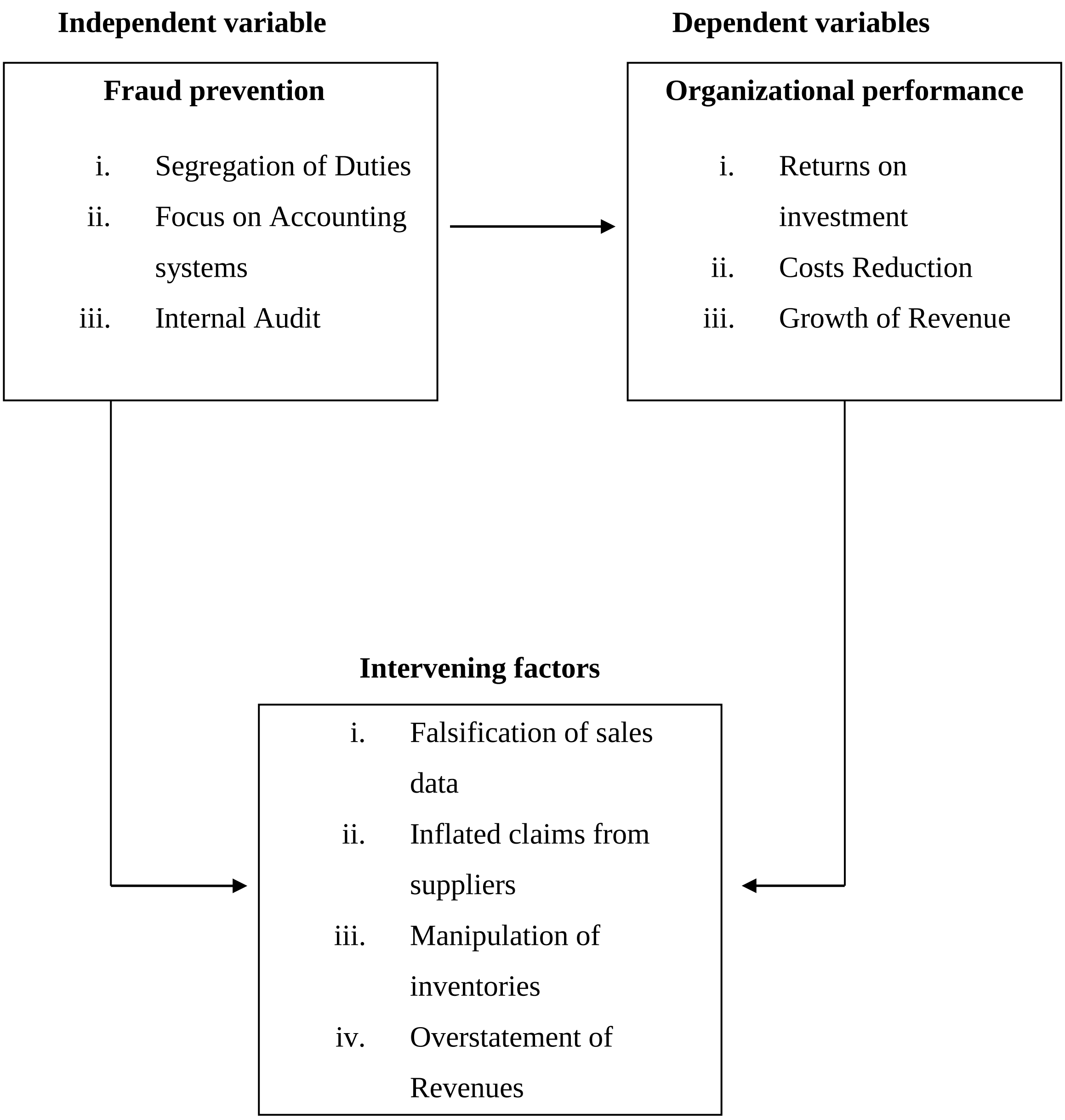
To other researchers

The researcher was beneficial to other researchers by highlighting other areas that called for further research.

The researcher

The research was also beneficial to me for the fulfillment of the award of a Degree in Business Administration since it was a requirement to present a research proposal.

1.10Conceptual frame work



The conceptual framework sets out the concepts that underlie the strategies aimed at fraud prevention management as a key to organizational performance. Most executives believe their organizations have a strategy in place for addressing fraud risk, assuming that their strategies are very well defined in that they identify fraud risks proactively and have corresponding anti-fraud programs and controls that are agreed upon, monitored and measured by a board and senior management on an ongoing basis. However, this assumption is usually undermined by the intervening factors i.e. falsification of sales data, inflated claims from suppliers, manipulation of inventories and overstatement of revenue (Fomers and Casal, 2011). This implies that shareholders will suffer from financial losses which will lead to erosion of confidence from potential investors. (Bierstaker et al ………, 2006)

The objective of the conceptual framework is thus to improve fraud prevention management by providing a complete and updated set of concepts to use when developing or revising standards and strategies aimed at fraud prevention management as a key to organizational performance.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This section provides the review of the related literature to the key study variables and their corresponding dimensions.

Under this section, the following attributes and their related literature are going to be reviewed.

1. Fraud prevention management
2. Organizational performance
3. Segregation of duties and fraud prevention management
4. Accounting records and systems and organizational performance.
5. The role of internal audit.

The section will try to review the various scholars, statutory descriptions and acts on fraud prevention management and business performance. It will try to bring out the meaning of the key study variables and their corresponding dimensions. This section will also suggest some theoretical prevention measures.

2.1 Review of the related literature

2.2 Fraud prevention management

Fraud prevention management refers to the act of supervising, monitoring and controlling the fraud risk within an organization/business entity. It also deals with understanding fraud patterns by using decision managers and performance monitoring.

Fraud prevention management provides companies with means for evaluating, comparing or bench marking fraud management systems.

It also provides the research community with a systematic and broad domain overview frame work that provides ideas for more focused further research.

The fraud themes include:-

a) Factors, motivations and antecedents (influence) of fraud.
b) Auditor's role in fraud detection and prevention.
c) Information technology fraud.

Thus the key words are; fraud, corporate scandal and finally content analysis.

Frauds are committed by perpetrators internal to the organization including management and employees. (Haugen and Selin, 1999)

A 2008 joint report by the Institute of Internal Auditors (IIA), American Institute of Certified public Accountants (AICPA) and ACFE offered the following sample fraud risk exposure classification.

- ✓ Financial reporting fraud
- ✓ Misappropriation of tangible assets, intangible assets, intangible assets or proprietary business opportunities.
- ✓ Corruption including bribery, gratuities, money laundering and embezzlement.

Fraud must be studied within the social context and with all stakeholders. Fraud may impact individuals as well as the organization within which it occurs and is thus detrimental to society.

Sikka (2008) argues that in an environment of poor regulation, enforcement and lack of ethical constraints, the occasional investigations by financial regulators may not deter fraudsters in committing fraudulent activities.

According to Tony (1998), the US government ignored white-collar crimes in favour of more visible street and violent crimes because of voters growing concerns. As a result, because of the low probability of being caught, more people engaged in white-collar crimes.

Overall, it is clear one needs to consider the social context when examining the issue of fraud.

At the individual level, the motivation to commit fraud includes financial strain, ego and rationalization. [Duffield and Grabosky, 2001] In addition, fraud risk is promoted by personality and environmental factors too.

Basing on Hefan Furlan, Marko Bajeo, fraud prevention management involves or focuses on six activities namely:-

a) Deterrence
b) Prevention
c) Detection
d) Investigation
e) Sanction
f) Monitoring

Deterrence is aimed at detecting fraud from data while monitoring effectiveness and efficiency of core fraud prevention management processes.

Prevention includes early detection, investigation, prevention and sanction.

Deterrence is aimed at removing the underlying reasons for fraud to occur. The main means of doing that is by launching appropriate information, actually responding what has been achieved in the core fraud prevention management process.

Investigation takes place when suspicion has been raised and is concerned with providing an analyst with enough information in order to conclude whether fraud has been perpetrated and to assess whether some legal actions or redress processes should follow. The goal of an investigation is to efficiently resolve true fraud from false alerts.

Sanction is of upmost importance for both seeking redress and for raising public awareness against fraud. The general public must be always and continually informed that fraud is immoral and costs us all; therefore we all play an important role in fraud risk management.

The works of Phra, Viaena and Bolton provide a systematic description of fraud prevention and detection methods.

Phra focuses on data mining based methods from across the industry.

He points out the problems of lack of quality and publically accessible labeled detection from both supervised and unsupervised methods perspective. The article also introduces different ways to evaluate method's performance.

Viane provides a comprehensive or several classification techniques ranging from the simple logistic regression functions to complex variants of neural networks that detect fraud and enhance fraud prevention methods or processes.

Bolton focuses on fraud detection and prevention based on statistical methods and especially data, fraudster and organization characteristics of fraud detection.

Derring also analyses and appreciates the need for specialized information that can support fraud departments.

Tennyson also highlights the importance of deterrence since it is aimed at removing the underlying reasons for fraud to occur.

The aim is to prevent fraud from happening. Therefore, the organization must detect fraud or abuse, investigate and prevent fraud before the damage claim has been paid for.

2.3 Organizational performance

HM Treasury describes performance management as managing the performance of an organization or individual whilst. This is not a precise definition grounded in literature. It dominates the breadth of performance management and hence the difficulties in defining its scope, activities and practices. The breadth of the subject area and lack of a concise definition make it difficult to identify the boundaries of what is and isn't performance management.

By analyzing the different roles of performance management systems mentioned in the works of Archer and Otley (1991), Kinson (1998), Bungay and Goold (1991), Campbell et al. (2002) etc, the following are some of the attributes related to organizational performance.

i. Manage the strategy implementation process, by examining whether an intended strategy is being examining whether an intended strategy is being put into practice as planned.
ii. Challenge assumptions by focusing not only on the implementation of an intended strategy but also on making sure that its content is still valid.
iii. Check position by looking at whether the expected performance results are being achieved.

iv. Comply with the non-negotiable parameters, by making sure that the organization is achieving the minimum standards needed, if it is to survive (e.g. legal requirements, environmental parameters, etc.)

v. Communicate direction to the rest of the employees by passing on information about what are the strategic goals individuals are expected to achieve.

vi. Communication with external stakeholders.

vii. Provide feedback, by reporting to employees how they are, their group and the organization as a whole is performing against the expected goals.

viii. Evaluate and reward behavior, in order to focus employee's attention on strategic priorities and to motivate them to take actions and make decisions, which are consistent with organizational goals.

ix. Bench mark the performance of different organizations, plants, department, teams and individuals.

Blenkinsop and Burns (1992), Martins and Salerno (1999), Simons (1990, 1994 and 1995), argued that management control systems used interactively can guide organizational learning, influence the process of strategic control and therefore influence business or organizational results.

Profits on sale of business assets is defined as the difference between the sales proceed and the written down book value at the time of sale whereby sales exceed the written down book value. (Tumuhimbise 2000)

So, therefore in this case one can define profits as the money that you make in business or by selling things especially after paying the costs involved.

But to the accountant, profit means simply the difference between total receipts and total cost (J. Harrey 1983).

However, the definition of profit can take on different meanings. To the accountant, its revenue minus costs, the economist may include social costs; social benefits and shut down costs. To the religious, it may mean spiritual benefits in addition to money. The definition of profit according to an accountant will thus not be the same as the definition by an economist let alone a social worker (Kakuru 2001).

Pandey (1995), stress that the definition of the term profit is ambiguous. Does it mean short or long term profit? Does it refer to profit before or after tax? Total profit per share? Does it mean total operating profit or profit occurring to share holders?

However, Shepheres G. (1983) writes that most people think of profits as the money left over after all the bills are paid. They are only thinking of revenue minus only direct costs.

Profit is the excess of actual income over actual expenditure after making allowances for depreciation on original cost of sales. (Harper 1983)

One of the most important calculations to be made is that of whether the organization is running at a profit or a loss. Profit is broadly the difference between income and expenditure (Torner 1982)

The modern entrepreneur whether an individual, Joint stock company or nationalized industrial corporation, regards profit as the return on capital represented by the difference between the cost of production and the selling price of the good. (Obone 1982)

How are profits determined?

Balunywa (1998) remarks the pricing structure of an organization is a major determinant of its success. If the prices are too high, the business may not sell. If they are too low, the company will make losses. Price helps on organization in determining its revenue and profits.

Accounts receivables (debtors) are beneficial to the business in that they lead to increased gross profits. However, too low a figure in debtors enhances profitability (Ntege 2003).

Kakuru (2001) writes that profits can be made through profit maximization thereby maximizing the dollar or the shillings income of the firm. The motion here is that the firm should produce goods and services that are highly demanded and it charges a high price on sold products so that it can easily cover its costs.

I.e. **Profits = Revenue – Costs.**

2.4 Segregation of duties and fraud prevention management

Segregation of duties means that no person should be given responsibility for more than one related function for example the person responsible for purchasing should not also be responsible for its payment.

Segregation of duties in an accounting department serves as the primary defense against internal fraud. Having employees check each other’s work may greatly reduce errors and omissions. It also minimizes opportunities for employees to steal from the company or organization.

Peter J. Best (2003), Adam G. agrees that segregation of duties is viewed as a critical component of an organization’s internal control structure aimed primarily at reducing opportunities for fraudulent activities.

Albercht, Howe and Romney (1984) examined organizational factors common to organizations that were victims of fraud. The most common factors identified was that too much trust was granted to certain employees.

Other factors included the lack of a proper procedure for authorizations, separation of transaction authorization from custody of assets and segregation of duties.

A common theme among these organizational factors is that there is typically a lack of proper segregation of duties in organizations that suffer fraud.

Ferrailo, Gilbert and Lynch (1992), ideally users should be restricted to data and functions that are required for them to fulfill their organizational role. This is generally referred to as role based access control. Fertile, Gilbert and Lynch noted that although more of a policy than a mechanism, segregation of duties is used in deterring fraud within financial systems.

Srinidhi (1994) performed a study of the importance of segregation of duties as an internal control by means of survey of auditors. The findings indicated that the auditors place significantly lower reliance on internal control systems without adequate segregation of duties.

From the above, it can be noted that no organization can survive without proper segregation of duties as a frame work for fraud prevention management.

Arend et al (2000-295-6) prescribes for general guides for the segregation of duties that are designed to prevent both fraud and error.

a) Separation of the custody of assets from accounting. This prevents a person with custody of an asset from disposing of the asset and adjusting the records to conceal the action.
b) Separation of the authorization of transactions from the custody related assets. The authorization of a transaction and the handling of the related assets by the same person increase the opportunity for fraud.
c) Separation of operational responsibility from record keeping responsibility. If a division is responsible for preparing its own records and reports, there may be a tendency to bias the results and reports to improve its reported performance.

d) Separation of information technology (IT) duties from duties of key users outside IT. Program modifications should be performed only by authorized IT personnel. Users outside IT should be responsible for authorizing transaction, on-line data entry correction errors input and review output from the system.

It can therefore be argued that the segregation of duties model is more resource intensive and could present more significant resource implications on the side of the organization.

Though management and staff gain to understand the importance of protecting the integrity of the company and appreciate the need for proper and effective control system.

2.5 Accounting systems and organizational performance

Record keeping is the process of full; accelerate, up to date business records (Reynolds Sarah, 2010)

Proper record keeping can help business to effectively manage cash flows and stay abreast of profits and losses and develop plans for future based finance trends. (N. Madison 2002, Pem-et-al 1994, Jones, 2003)

Record keeping cycle involves a process that is followed by accountants and book keeping staff in processing raw financial data into output information inform of financial statements (Mc Lean 1999)

The process ranges from creation of business, analyze and record the transactions in the Journals by account name, post information from Journals to Ledgers, prepare of trial balance, Journalize adjusting entries, post the adjustment from the Journal to ledger, prepare an adjusted trial balance, journalize closing entries, post closing entries from the Journal to the ledger, prepare a post closing trial balance and prepare the financial statement (Iay Jacuest and William C. Miller 2004)

According to Hughes (2003), keeping records is crucial for the successful performance of a business. A comprehensive record keeping system makes it possible for entrepreneurs to develop accurate and timely financial report that show the progress and current condition of the business.

An accurate record of the business financial performance is vehicle to monitor performance in specific areas, complete and accurate income tax, a basis for sound planning for the future basis for discussion with partners, potential investors and lenders; all these are important aspects which enhance performance of the business.

Plolick (2006), Macey (2009) defined performance of business as the ability of business to meet the required standards, increased market share, improve facilities, ensuring turns on profitability and total reduction and once this is achieved, a business is believed to be performing effectively.

Laitiuen (2002), Baruteugil (2002) and Akal (1992) defined business performance as a capability to produce the targeted output satisfying the need of the interest groups.

Therefore, businesses are said to be performing if they are operating at their optimum level where there is high demand, increasing volumes of high quality output and high returns on profitability.

The performance dimensions include:-

i. Business competitiveness in terms of market share.
ii. Sales growth
iii. Customer base
iv. Financial performance in terms of profitability.
v. Liquidity and capital structure

vi. Quality of service in terms of reliability and competence.

vii. Flexibility in terms of speed of delivery and resource utilization in terms of productivity and efficiency.

[Atkinson A. (1998), Fitzgerald et al (2002), Keegan et al (1989), Lynch and cross (1991).]

Uganda's steady growth in the economic and business sectors calls for well trained professional accountants that use proper accounting practices. Unfortunately, the number of qualified and globally recognized accountants in the country is in short supply. According to statistics, in Uganda there are 462 professionals accountants, yet the country needs a minimum of 3000 professionals in the discipline. The state minister for integrity Maria Matembe decries the lack of transparency and corruption in government and the private sector which leads to low profitability levels. This can be only be overcome by stable capacity building in accountancy profession (New vision, February 24, 2003).

This explains how little researched data is available concerning accounting profession and practice in Uganda. However, the establishment of the Institute of Certified Public Accountants of Uganda (ICPAU) in 1992 is giving a new lease to the profession coupled with the various accountancy institutions like the Management and Accountancy Training Company (MAT). The ICPAU gives the accounting and auditing frame work practice in Uganda but in most cases it has adopted the international accounting standards. Hence this gives both local and foreign literature on the subject.

2.5.1 Definitions of accounting practices.

Horngren et al, (1973) stated that; accounting practices are the major quantitative information system in almost every organization. They should provide information for three broad purposes; internal reporting to managers for use in planning and controlling routine operation, internal reporting to managers for use in making routine decision formulating major plan and policies and external reporting to stakeholders, government and other outside parties for use in investment decision, income tax collection and a variety of other application.

According to Pandey (1983), accounting practices are the financial score of an enterprise. They contain the financial information which is needed by both investors and management. Financial information is required to predict, compare and evaluate the firm's profitability. It is also required to aid in economic decision making, investment and financial decision making. It points out the problems faced or likely to be faced by the enterprise. It also brings to the notice of the firm opportunities that are likely to arise. It indicates possible action when needed.

On the other hand, many organizations develop practices primarily to satisfy legal requirements imposed by external parties. These practices often neglect the needs of international users (Horngren et al 2000).

While Glautier and Underdown (1997), state that accounting practices have been used for thousands of years. As business grew, accounting practices were invented by people to keep track of costs and profitability. Modern accounting measures communicate financial information about an entity. This information is used to plan, control, evaluate and make decisions about a business. The process begins with book keeping, with record transactions such as checks and invoices, and summarizes these transactions in financial statement. Financial managers use the financial statements to raise and spend cash and make intelligent financial decision.

However, Shirin (2001) writes that accounting practices lack standardization. Standardization of accounting practices would foster the internationalization of the accounting profession.

Uniform accounting practices and principles would enable professional accounting firms to operate with ease in different countries. It would add to the mobility of the staff.

Hendricken (1996) says that; accounting theory may also be used to explain existing accounting practices to obtain a better understanding of them. However, the most important goal of accounting theory should be to provide a coherent set of logical principles that form the general frame of reference for the evaluation and development of sound accounting practices.

Accounting theory may be defined as logical reasoning in the form of a set of broad principles that provide general frame work of reference by which accounting practice can be evaluated and guide the development of new accounting practices and procedures.

The form of accounting information reputed to decision makers depends on accounting practices adopted. These practices are imposed by accounting policy makers who are having knowledge of accounting theories, have the responsibility of responding to the needs of users of accounting information. However, it is evident that deficiencies in accounting theory, policy making, accounting practice and the use of accounting information, impair the usefulness of an accounting information service (Glautier and Underdown, 1997)

The following frame work can explain accounting theory and practice.

Figure I. Accounting theory and practice.

Elements

- Assets
- Liabilities
- Capital
- Revenue
- Expenses
- Profit
- Transactions

Concepts

- Entity
- Money
- Measurement
- Going concern
- Cost
- Realization
- Accrual
- Matching
- Periodicity
- Consistency prudence

Accounting

- Recording
- Transactions
- Classifying
- Transaction
- Summarizing
- Reporting
- Interpreting reports

Source: Accounting theory and practice by Glautier and Underdown, (1997).

The main objective of accounting practice is to provide information to users to make relevant decision and form judgments. The frame work above illustrates how the elements are incorporated in financial statements which as a summary of all the individual transactions recorded during a period of time using the concepts and gives interested readers the opportunity to see what occurred in a great summary (Glautier and Underdown, 1997).

Types of accounting practices

The accounting practice is an information system that enables us to make some important deductions. It has sub-systems (Glautier and Underdown, 1997), the main ones being.

2.5.2 Sales accounting system

This includes order taking, establishment of credit terms, the preparation of paper work, recording tax data and sometimes determination of sales representative's commission. It is carried out by the sales department.

The function of the sales department is to encourage the sales of the firm's products. Once a sales man has concluded a sale with a customer, he completes a sales order form. The original is sent to the customer as an acknowledgement of the order and in the case of credit sale, one copy of the sales order form goes to the credit control department for approval. If the goads are in stock, the credit centre/department will pass the authenticated sales order form to the stock control department so that the release and dispatch of goods may be affected. An advice note is sent to the customer when the goods are dispatched advising the date of dispatch and mode of delivery. The goods are normally accompanied by a delivery note stating the description of the goods and the quantity involved though not the price. The customer acknowledges receipt of the goods by signing the delivery note.

When the goods have been released by the stock control department for dispatch, a further copy of sales order stating the date of dispatch is sent to the sales invoice section of the accounts department so that the sales invoice may be prepared. The sales invoice states the nature, quantity and price of the goods ordered and the amount due to the firm by the customer. Customers are normally required to pay within one or more months, department on the agreed credit terms.

On that note, the sales invoice is the source document which provides the data which will be recorded in the financial accounting system. The sales order is used for the following purposes as a means of confirmation of sale, means of initiating a procedure for checking the credit worthiness of a customer prior to proceeding with the completion of the order, as a document authorizing the release of the goods from stock, as means of checking and dispatching the right goods to the right customer and means of preparing the sales invoice which will state the amount due from the customer.

2.5.3 Purchasing system

This relates to the procurement of raw materials or merchandize inventories. It is carried out by the purchasing department. Each request is made on a requisition form stating the nature and quantity required which is signed by an authorized person. The purchasing department selects a suitable supplier and sends a purchasing order form setting out the description, quantity and required delivery date of the goods together with instructions as regards dispatch and invoicing. The purchase order will refer to the quoted price of the goods according to the supplier price, although these quoted in advertisements are not binding on suppliers.

In effect, the purchase order form is an offer to purchase and when accepted by the supplier constitutes a legal contract between buyer and seller. Copies of a purchase order are distributed to the several departments concerned, namely the receiving department which needs to know the details and the date of receipt of the goods, the stock control department to advise of the pending arrival of goods and to serve as a check on the receiving department, the accounts department for checking that the price quoted compared with the list and the ordering department to confirm that the order has been placed.

Kakande (2003), remarks that the purchasing system involves ordering, receiving and payment for goods and services required by the organization. It consists of the following stages; Identification of the need for the acquisition of goods and services.

Placement of an order; Requisition notes for purchases should be authorized by a responsible official in the user department. All orders should be recorded on official documents showing suppliers names, quantities ordered and the price.

Receipt of the goods and services; there should be a separate department or personnel to deal with receipt of all goods. All goods should be checked for quantity and quality and goods received notes should be raised for all the goods accepted (GRN); and GRN's should be sequentially pre-numbered.

Financing and Returns. These invoices should be signed and approved for payment by a responsible official independent of the ordering and receipt of goods. All invoices should then be entered in the purchases day book and posted to the purchases ledger. A record of goods returned should be kept and checked to the credited notes received from supplier.

Disbursement of cash; Cheques should be prepared with supporting documentation by a responsible official independent of the purchases' department. Cheques should signed by more than one person. Cheques should then be entered in the cash book.

Recording of the transaction involved. A creditor's ledger control account should be maintained and regularly checked against balances in the ledger by an independent person. Creditor's ledger records should be kept by personnel independent of receiving goods, invoice authorization and payment.

According to Arora (1995), orders are placed through a central procurements department. The originating department issues a purchase order to the vendor, routine purchases go through a specified vendor and non routine ones go through tender procedures on receipt of goods, the receiving department checks for quality after which a Goods Received Note (GRN) is prepared. This provides a basis for paying the vendor poor services, evidence must be there that services were rendered. It may take the form of acceptance report signifying completion of services.

Payment is approved in light of prices and quantities specified on the order. A voucher is prepared and attached to all supporting documents for example invoices, Goods Received

Note and purchase order after approval of all these documents, disbursements by cash or cheques are made.

The accounting practices included in accounting for purchases covers two aspects that include:-

Receipt of goods and services; Purchases received should be effectively inspected for quality, quantity and conditions. On receipt, they should be acknowledged by GRN.

The disbursement of company resources; All payments should be authorized and suppliers paid the right amount at the right time.

2.5.4 Inventory and stock practice

This system relates to raw materials, finished goods and merchandise inventories.

Byaruhanga (2007) remarks that inventories are stocks kept for manufacturing or sell and the components that make up a finished product. The inventory cycle arises only when a firm holds inventory. Effective inventory should ensure continuous supply of raw materials to avoid production interruption, maintain sufficient raw materials stock in product of short supply and increasing prices, maintain sufficient finished goods for smooth operation and customer service and keep optimum investment in inventories.

However, Ntege (2003) says that in most organizations, balance sheets have got a big figure for stock, in manufacture's companies, inventory or stock stretches from raw materials, work in progress, finished goods and any other maintenance or service items. Each of the type of inventory smoothens out the business activity so that firms enjoy flexibility in purchasing in operations and in maintaining. Inventory prevents organizations from purchase from expensive sources, idleness of fixed assets and labour force and inability to meet customer demands whether seen or nod.

2.5.5 Payroll system

This relates to payment of wages and salaries, commission, withholding tax and other deductions.

Manipulation of the wages record is probably one of the easiest ways of concealing substantial misappropriations of cash and therefore the most commonly resorted to. It is therefore imperative that wage recording and payments are dealt with by the business in a systematic manner that adequate checks are in place. Payroll management should involve; the maintenance of a payment record for each employee, recording of time worked, the calculation and recording of wages and authorized deductions, disbursements to employees and allocations in the books of account (Arora, 1995)

While Byaruhanga (2007) states that, payroll procedures can be generally put into the following broad categories. Engagements, promotions, transfers and discharges of employees, time attendance and job recording, preparation of payroll and analysis of wages and salaries and payment of wages and salaries.

The following duties should be segregated in a big firm payroll; preparation, payroll authorization, payment of wages or salaries and personnel.

Byaruhanga (2007) further notes objectives of payroll system as the computation of wages and salaries are only in respect of the firm's employees, wages and salaries are in accordance with the salary scales or with records of work performed in terms of time, output, commissions on sales, the payment is calculated accurately, payment is made to the correct employees including unclaimed wages; payroll deductions are correctly accounted for and paid to appropriate parties at the correct time, cash in the office and the money in the Banks is safe guarded and all payroll transactions are accurately recorded and processed in the accounting records.

Thus the above objectives are set to minimize the following risks with the payroll that could lead to financial losses thus low profitability levels. They include ghost workers, late payment causing staff discontent, wrong and late payments to URA and NSSF leading to fines and penalties, unauthorized or delayed bonus and fraud.

2.5.6 Accounts receivable system

This involves the preparation of customer invoices and periodic statements for goods and services sold on credit. It also involves the maintenance of accounts receivable records.

According to Ntege (2003), selling goods or services on credit results in costs being incurred by a business. These costs include credit administration costs, bad debts and opportunities forgone in using the funds for more profitable purposes. However, these costs must be weighed against the benefits of increased sales resulting from the opportunity for customers to delay payment. When a business offers to sell its goods or services on credit, it must have clear policies concerning, which customers should receive credit.

However, Puttick, et al … (1982) states that, a business must determine what credit terms it is prepared to offer its customers. The length of credit offered to customers can vary significantly between businesses. The length of credit may be influenced by various factors which include; the typical credit terms operating within the industry, the degree of competition within the industry, the bargaining power of particular customers, the risk of non payment, the capacity of the business to offer credit and the marketing strategy of the business.

2.5.7 Accounts payable system

This involves the preparation of invoices received from suppliers and preparation of payment vouchers for subsequent disbursement of cash for purchases made.

The major transactions of the accounts payable system are those between the firm and creditors. Creditors are individuals and financial institutions that extend credit to their customers or clients. Trade creditors or suppliers are interested in getting paid for goods and services that they extend on credit. Financial institutions like Banks that extend loans to customers; are interested in making sure that the loans are serviced and do not become non-performing. Before loans or any credit is granted, the credit worthiness of the applicant is analyzed. Credit analysis can only be possible if accounting information in form of financial statement exists (Omunuk, 1999).

According to Puttick et al…, (1982), credit sales may be of goods from stock or articles specially manufactured for customers or services. Lack of proper control could result in goods being sold, job orders executed or services rendered but not invoiced. In each case, value would have given to a customer without charge and therefore loss incurred hence how profitability levels. The form of the credit sales record may vary. In some businesses, it may be merely a single column book with one total; in others, departments may analyze the sales, type of goods and/or debtors control accounts. In many cases there may be no sales (journals in the traditional form but file of copy from the invoices, which save the same purpose or the record, may be computerized.

The credit sales activity may be sub divided into the following four distinct functional areas; the credit control function, the dispatch function, the invoicing function, the sales and debtors recording function, all receipts must be promptly recorded in the correct amount, all recorded receipts must be deposited in the company’s bank account in fact and timorously, all receipts recorded must be accounted for by a credit to the correct debtors account and the debtors control account and the debtors control account and a debt to cash.

However, Byaruhanga (2007) notes that, for business selling goods on credit, the system has four main areas with the following objectives; Oder process-credit sales are only made to authorized customers who are credit worthy regarding price, quantity ,items, and customer detail.

Dispatch and invoicing-Goods are dispatched to the correct customers, all dispatches are recorded correctly, all dispatches are invoiced and goods returned and claims by customers are authorized and appropriate credit notes issued.

Recording/Accounting-sales invoices and credit notes are appropriately checked and authorized before they are entered in the accounting records and only invoices that relate to the goods supplied are accurately entered in the accounting records.

Payments by customers; all customers promptly pay for the goods and services and all bad and doubtful receivables are identified and appropriate allowances made. All the above objectives minimize the risks associated with credit sales which include; risk of bad debts, thus financial loss leading to low profitability levels.

However, Shirin (2002) notes that, businesses are no longer bound by national frontiers, their economic activities have transcended such boundaries and entered the international Arena. Consequently, there is pressure for harmonization of accounting practice, not only from those who use the financial statements, but also from those who regulate and prepare them. These pressures come from investors, financial analysts. The obvious reason is that investors and financial analysts would like to be assured with regard to the reliability and comparability of the financial statements and thus accounting practices.

2.5.8 General ledger

It involves maintenance of journals and ledgers for recording and classifying the traditional financial transactions. It usually extends to the preparation of the trial balance and the formal financial statements.

Omunuk (1999) stresses that; the general ledger is the main ledger of an organization. It is supposed to contain all the ledger accounts of the organization. In case there are too many accounts in the organization, it is only the control accounts that should appear in the general or main ledgers. In manual accounting system, the general ledger is a big bound book with hard covers. Each page in the book represents an account. As observed, the general ledger is supposed to contain all accounts of that organization.

In addition, firms large enough to divide its journal into day books and cash books will probably also need to divide its ledger. The sales ledger contains all the personal accounts of the firm’s customers. The creditor’s ledger contains the personal accounts of the firm’s suppliers. The main reason for dividing the ledger is that it allows several people to be engaged in the recording process and permits sectionalization of the work around these groups of accounts (Glautier and Anderdown 1997).

However, Shirin, (2009) emphases that the nature, size, environment and information requirements determine the number of accounting practices. Consequently, a great deal of diversity exists in the accounting practices adopted by different countries.

This diversity has the potential to distort financial communication when business is conducted beyond national boundaries, thus limiting the sources so far. There is need to increase the compatibility of accounting practices by specifically the limits to their degree of variation.

Thus efforts to harmonize accounting practices of the nations of the world would eliminate much of the prevailing diversity and increase the international flow in investment capital, there by promoting world economic growth and development.

2.6 Definitions of profitability

Pandey (1983) says that, in the capital structure relationships, profitability is the ability to generate cash to be able to pay interest and repay principles and the relationship within various services of funds. This includes long term creditors who analyze the historical financial statements but still place more emphasis on the firms, profitability by looking at the proforma financial statement.

According to profit minded CEOs (2005), profitability is used as a way of assessing the financial health of a company.

Profitability is the ability to work in a demanding competitive environment leading to long term success. This is done by; establishing a clean business philosophy, involve every employee, developing an appropriate operating mode or for your business (vision of success) and measuring the key performance parameters.

2.6.1 Profitability as a measure of performance

A firm’s profitability is measured by preparing a firm’s profit and loss account.

According to Frankkood (2000), this account is broadened to include a trading account where trading account reflects the gross profit while profit and loss account reflects net profit.

In the free market system, achieving profitability is of crucial importance. Maximizing profitability is the primary objective of a profit seeking enterprise and can be achieved only with due consideration of consumer needs. This overriding objective is usually expressed in quantitative terms. However, nonprofit seeking organizations focus on effective and efficient utilization of resources and cost reduction rather than on profitability. In an economic decline, a profit seeking enterprise too can concentrate on efficiency and effectiveness rather than profitability in order to protect its position until economic conditions improve (Van Horne et al … 1996).

Maximizing profitability means maximizing the money income of firms. Price system is the most important organ of a market economy indicating what goods and services society wants. Goods and services in great demand command higher prices. This results in higher profitability levels. However, this can be criticized in recent years. It is argued that maximizing profitability assumes perfect competition and in face of imperfect modern market, it is not legitimate. It fails to provide an operationally feasible measure for ranking alternative courses of action in terms of their economic efficiency (Pandey, 1995)

While Welden (1993) says that profitability can be measured in a number of wages which includes among others; comparison of total or unit profits related to capital employed, profit related to the time factor and discounted cash flow and payable period.

Hampton (1998) outlined the functions of a financial manager that lead to profitability and these include;

Cost control. Most large enterprises have detailed cost accounting systems to monitor expenditures in the operational areas of the firm. Data are fed into the systems on a daily basis and computer processed reports containing important information on activities are printed or displayed. This enables the manager to control costs.

Pricing; some of the most important decisions made by a firm involve the prices established for products, product lines and services. The philosophy and approach to pricing are critical elements in the company's marketing effort, image and sales level all of which have a bearing on profitability.

Forecasting profits; to establish profits from future sales, the firm must be aware of current costs, likely to increase in the costs and likely changes in the ability of the firm to sell its products at established or planned selling prices.

Measuring required return; Every time a firm invests its capital, it must make a risk return decision. The required return is the rate of return that must be expected from a proposal before it can be accepted. Determining the firm's required return or cost of capital is a profitability function.

2.7 Effect of changes on profitability

Profitability is affected by changes in volume, costs and prices. Increases or decreases of selling price, volume, variable costs, fixed costs or a combination of all of these have an effect on profitability (Pander, 1998).

2.7.1 Effect of price changes

The selling price may change because of the economic factors or management itself may initiate a change due to increase or decrease in costs or completion or some other reason.

However, Musiime (2008) says that the existence of close substitutes presents a strong competitive threat limiting the price a company can change and thus affecting profitability.

2.7.2 Effect of volume change

Profitability will increase with an increase in volume and will be reduced by a decrease in volume (Pandey, 1998)

2.7.3 Effect of price and volume change

A change in price invariably effects volume. A price reduction may increase demand of the product and consequently any result in increased volume. On the other hand, increase in price may adversely affect the demand and thus reduce volume. Profitability levels may increase with price reduction. If volume increases substantially similarly, a price rise may reduce profitability levels if there is material fall in volume.

2.7.4 Effect of changes in a combination

The financial manager or the management accountant must realize that a change in one factor can lead to a change in other factors or factor. Therefore, all such changes should be carefully visualized and their net impact on profitability must be seen.

2.7.5 Weakness of profitability as a measure of performance

The traditional objective where a firm seeks to maximize its revenue while minimizing costs has exhibited weakness as given below (Kakuru, 2000).

It is oriented towards shareholders in an exclusive way. It therefore ignores other stakeholders or interests of other interested parties. It's important to note that the firm does not operate in a vacuum. Its activities should therefore take into consideration interests of management, employees, society, government and investors.

It is a consequence of perfect competition which may distort resource allocation if such conditions do not exist in the economy.

It does not give due attention to the time value of money. It aims at selling at high prices in order to get maximum profits but at a later date. It values benefits received today and benefits received after a period as the same.

Uncertainty of returns in that, the streams of benefits may posse's different degree of certainty. Two firms may have same total expected earnings, but if the earnings of one firm fluctuate considerably as compared to the other it may be more risky. Possibly, owners of the firm would prefer smaller but surer returns to a potentially larger but certain stream of benefits.

It has been argued that the status, prestige and remuneration of managers is usually closely linked to the size of the firm and it is likely therefore that such people will be more interested in maximizing sales rather than maximizing profitability (Grand, 2000).

Therefore;

Good financial records give the owner a picture of how much income the business is generating and how it is being spent on goods for resale and on overheads.

Based on these records, future income and expenses can be projected to give direction and focus to the business.

2.8 Internal Audit and fraud prevention management

Auditing refers to the conduct of an official financial examination of an individual or organization's accounts.

Auditors in this case refer to a person who conducts an audit.

Internal 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 processes.

In more recent years, there has been heightened interest in issues associated with the independence and objectivity of internal audit. The motivation for research growth in the area is related to the evolving and expanding role of internal audit as a key consultancy governance mechanism as well as an internal consultancy service. In this regard, internal auditors are in a unique situation as providers of both assurance services within the organization and consultancy services. Not surprisingly, this dual role has generated significant debate as it has the potential to place the internal auditor in a situation of conflict. Furthermore, as employees of the organization, the ability of internal auditors to exercise true objectivity has also been questioned (Paape, 2007).

That an auditor has the responsibility for the prevention, detection and reporting of fraud, other illegal acts and errors in one of the most controversial issues in auditing and has been one of the most frequently debated areas amongst auditors, politician, media, regulators and the public. (Gay et al, 1997) This debate has been especially highlighted by the collapse of both small and big corporations across the globe.

There seems presently to be a misconception that auditor's duties are largely preventing, detecting and reporting of fraud for example (Idris, 2009)

The role of auditors has not been well defined from inception (Alleyne and Howard, 2005)] according to Brink and Witt (1982), fraud is an ever present threat to the effective utilization of resources and it will always be an important concern of management.

Sikka (2004) views external audit as trust engendering technology that failure of which may undermine confidence in corporate governance.

Grandori (2004) suggests corporate governance is about wealth generation and risk management that requires continuous active market regulation.

Porter (1997) reviews the historical development of the auditor's duty to detect and report fraud over the centuries. Her study shows that there is an evaluation of auditing practices and shift in auditing paradigm through a number of stages.

Porter's study reveals that the primary objective of an audit in the pre 1920's phase was to uncover fraud. However, by the 1930's, the primary objective of an audit had changed to verification of accounts.

This is most likely due to the increase in size and volume of company's transactions which in turn made it unlikely that auditors could examine all transactions.

During this period, the auditing profession began to claim that the responsibilities of fraud detection rested with the management.

In addition, management should have implemented appropriate internal control systems to prevent fraud in their companies.

Porter (1997) asserts that even though the case law has determined that in some circumstances auditors have a duty to detect fraud, the courts have attempted to maintain the auditor's duties within reasonable limits.

In contrast, Boynton et al (2005), argues that since the fall of Enron, auditing standards have been revamped to re-emphasize the auditor's responsibilities to detect fraud.

Additionally, Boynton et al (2005) and Oremade (1998), claim that auditors are required to be more proactive in searching for fraud during the course of an audit under ISA 240 (Revised).

Their duties now include considering incentives and opportunity presented to potential fraudsters as well as rationalizations that the fraudulent act is justified.

Auditors are also expected to inquire more closely into reason behind such matters as for example errors in accounting estimates, usual transactions that appear to lack business rational and a reluctance to correct immaterial errors discovered by the audit.

Users believe that the detection of irregularities is a primary audit objective and that the auditors have a responsibility for detecting all irregularities. This is a misconception and shows the existence of an audit expectation gap between auditors and financial report users with respect to the actual duties of auditors.

Internal auditors should have sufficient knowledge fraud to be able to identify indicators that fraud might have occurred. If significant control weaknesses are detected, additional tests conducted by internal auditors should include tests directed towards the identification of other indicators of fraud.

2.9 Summary of literature

Fraud must be studied within the social context and with all stakeholders. Fraud may impact individuals as well as the organization within which it occurs and is thus detrimental to society. In addition, fraud risk is promoted by personality and environmental factors too.

Organizational performance is attributed to the ability of organizations to meet the required standards, increased market share, improve facilities, ensuring returns on profitability and total reduction and once this is achieved, an organization is believed to be performing effectively.

Segregation of duties is viewed as a critical component of an organization’s internal control structure aimed primarily at reducing opportunities for fraudulent activities. From the above, it can be noted that an organization cannot survive without proper segregation of duties as a frame work for fraud prevention management.

It is vital to have accurate and up to date records of accounts as a financial advisor can then identify the strengths and weaknesses of the business and give advice on how to improve the efficiency and profitability of the business or make changes. Good accounting records and systems give the owner a picture of how much income the business is generating and how it is being spent on goods for resale and on overheads.

Thus in contrast, fraud is an over present threat to the effective utilization of resources and it will always be an important concern for management.

There are a lot of issues that have not been addressed in the literature. A broad view on fraud prevention management reveals a lot of additional activities that accompany fraud detection, but lack research focus. In an environment of poor regulation, enforcement and lack of ethical constraints, the occasional investigations by financial regulators may not deter fraudsters in committing fraudulent activities. Therefore, there was need to carry out a primary research to close the gap between the research variables and the corporate scandal as this was not made clear in the literature reviewed.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

An attempt was made to highlight the context, scope and area of study in order to produce a potential foundation against which the findings of the study were assessed regarding their reliability, viability and conclusions to be drawn.

Therefore, the chapter provided a description of research design that was used to collect, process and analyze data and the source of information, sample size, data collection methods, instruments and sample design.

3.2 Research designs

The study was both descriptive and a case study research designs. It was descriptive in identifying areas where fraud takes place.

The study was also analytical or an in-depth study establishing circumstances under which fraud takes place, the motives and reasons for fraud and factors that facilitate fraud prevention management.

Using a descriptive research design was of an additional advantage to the researcher since it is an innovative tool for researchers that presents an opportunity to both quantitative and qualitative data as a means to reconstruct the "what is" of a topic. In addition, the case study research design helped the researcher to collect a lot of detail that would not normally be easily obtained by other design. The data collected is normally a lot richer and of greater depth than can be found through other experimental designs.

3.3 Study population and area

The study population included members of the top management, finance and accounting department, risk department and other members of the support staff working within the fraud, which all totaled to 85 people. The study population therefore constituted a number of 85 people that was determined using R.V. Krejcie and D.W. Morgan's table of sample size and frame (1970) as it has already been scientifically proven as a standard measurement and can be applied therefore in research activities.

The area covered was workers house located in Kampala, Uganda which is actually the main branch of National Social Security Fund (NSSF) of Uganda.

3.4 Simple size

The sample size was determined using R.V. Krejcie and D.W. Morgan's table of sample size (1970) since it has already been scientifically proven as a standard measurement and can therefore be used for research activities.

The researcher used a simple size of (70) respondents because of limited time and other factors as highlighted. The respondents were mainly from top management, accounts and finance, risk, sales and marketing department while not forgetting the procurement and disposal unit together with some other members of the support staff dealing in the benefits claim process and suspense accounts..

3.5 Sampling methods

To get a sample that was a true representative; the researcher used purposive sampling methods of data collection in selecting the respondents from whom data and opinions were sought during the research exercise. These were particularly the general manager and heads of departments who gave vital information. The researcher also used stratified sampling methods since the employees were selected from separate departments.

3.5.1 Sampling procedure

The researcher sought to have the operation manual of National Social Security Fund (NSSF) which usually contains the organizational chart showing heads of departments, activities, procedures and controls of every department of the company. A selection of employees was made at each department. This was done by stratified sampling. Each department represented a stratum. The researcher selected employees from each department using a random technique. Ideally this was carried out in such a way that no employee belonged to more than one department.

Simple random sampling was used when collecting data since it provides equal chances of each element in the population of being selected into the sample. It is highly representative if all subjects participate and ensures selection of adequate numbers of subjects with the appropriate characteristics. It can also be with replacement or without replacement.

The researcher also used double sampling method. This helped the researcher to get an insight into the problem and clarifications.

Quota sampling method was used on the survey population in particular the support staff. The support staff was categorized by gender that is male and female. The advantage of using quota sampling was that, it provided quick results and it was less costly with a high response rate.

3.6 Sources of data

Both primary and secondary sources were used. Primary data was responses from the top management and other staff of NSSF. The findings were generated from the field using questionnaires to seek explanations, ideas and views on fraud prevention management and its effectiveness on organizational performance from staff and using face to face interviews for purpose of clarification on unclear issues.

Secondary data is already existing literature related to the research topic was obtained from annual financial reports and the relevant documents like general ledger, cash book, payroll, debtor's register and creditor's register. The literature to be studied was concerning about fraud prevention management and organizational performance.

3.7 Data collection methods

Data collection methods included observations, questionnaires and interviews.

3.7.1 Questionnaires

The researcher used questionnaires that were issued to top management and the staff of NSSF which were designed representing the two variables, fraud prevention management and organizational performance. The main advantage of questionnaires was that they are free from bias and respondents who are not accessible can be easily reached using this method.

3.7.2 Interviews

Interviewing was the main method for the researcher's data collection. Standard interview schedules were used in consideration of the advantages of interviewing being an immediate feed back from respondents and the researcher can investigate motives and feelings and easily assess the characteristics of the respondents that is the tone of voice, facial expressions, hesitation and so on.

3.7.3 Observation

Observations were supplementary to interviews. The observations helped the researcher to cross check data collected from interviews and hence create accuracy and consistency of data.

3.8 Data collection instruments

The data collection instruments included an interview guide that covered structured, semi-structured and unstructured approaches of the interview schedules that were used in extracting information from key respondents. The questionnaire guides were also issued to top management and the staff of NSSF comprising of close ended questions and open ended questions to facilitate easy and timely collection of data needed for the research project

3.9 Data collection procedure

The researcher went through the following steps to collect the necessary information so as to make the research possible.

The introduction was obtained for the relevant units and offices that included;

The top management of National Social Security Fund together with respective heads of departments and supervisors were contacted as these could be having secondary information concerning the quest of the research.

Prior to that, the researcher welcomed ideas from the staff within the vicinity of National Social Security Fund since they were among the key respondents and can therefore be used to explain the research problem.

3.10 Data processing and analysis

After data collection, the next step was to process data and this simply involved making the data more meaningful and presentable, organized and easier to analyze by the researcher. Therefore, data processing involved coding and editing.

After data processing, data was analyzed and interpreted using non numerical and quantitative approaches which involved drawing statistical tables and calculations of percentages of previous categories of respondents. This enabled the researcher to interpret the data and verify the validity of the objectives and thus rectifying the gap between the study objectives.

The data collected was arranged inform of writing then after the results obtained from the study were converted into statistical formats to easily enable the researcher assure the public and the case study at large with enough and proven evidence of how fraud prevention management facilitates organizational performance.

3.11 Limitations of the study

On carrying out any study, experience has it that researchers face a number of challenges. In this particular study; the researcher faced a number of challenges that included;

Time constraint was a big hindrance that the researcher faced and had impact on the study. There were pressures from a number of forces for the limited time. The area of fraud prevention management in context with social securities is less researched. The researcher therefore faced difficulties of getting local and foreign literature to provide adequate study of the area.

The case study the researcher was under taking covered a sensitive area of fraud where information was not easily released to an outsider lest she is taken to be a potential competitor or even reporter. There is no research that can be successful without funds. The researcher faced difficulties in raising the necessary funds to enable her meet the research budget. The researcher also faced a problem of revisiting the field several times. A small sample size of population was used due to time constraints. Despite the limitations, the researcher carried out the research successfully.

3.12 Ethical considerations

Just like any other field of study, the research field equally and sensitively respects the ethical standards that apply to the society and other concerned parties. Therefore, these ethical conditions represent a stated code of conduct creating a baseline on which the research was conducted. The researcher therefore applied the following in regard to the research ethics.

i. Informed consent. The researcher made sure that the respondents clearly understand the purpose of the study and its outcomes whether the outcomes are to positively and negatively affect the respondents. The researcher should be in position to inform the respondents and allow them room for making informed consent either to participate or withhold their participation in a good will rather than coercion.
ii. Confidentiality. The researcher was to make sure that maximum secrecy and confidential cases are carefully handled at the respondent's request. The researcher intended to ensure this by avoiding public exposure of the taken photographs, safe record keeping and use of code numbers other than that respondent's real names for security purposes inorder to ensure that free interaction and opening up to the researcher.
iii. The researcher also avoided biases, stereotypes as well as prejudices. This was ensured by avoiding biased sampling, reporting information that is objective rather than subjective and others in order to collect appealing and reliable information that served for the well being of the majority.

CHAPTER FOUR

ANALYSIS, PRESENTATION AND DISCUSSIONS OF RESEARCH FINDINGS

4.0 OVERVIEW

This chapter presents the findings and the discussion of the implications of the results. The results are presented in tabular form which was analyzed using frequencies and percentages. The discussions are to follow the objectives of the study and the relationship between fraud prevention management and organizational performance in National Social Security Fund (NSSF) as the selected case study.

4.1.1RESPONSE RATE

All the questionnaires that were issued to respondents were returned back all fully filled meaning the response rate was 100% and the respondents fully participated in the research.

4.1.2 GENERAL FINDINGS

The National Social Security Fund (NSSF) is located in Uganda with the main head office referred to as worker's house located in Kampala. The research was made in the Kampala branch (worker's house) located on plot no. 1 Pilkington road.

4.1.3 Findings on gender of respondents

Findings show that there were more male respondents than females as in the table below.

Table 1: Gender of respondents

Response	Frequency	Percentages	Cumulative percentage
Male Female	40 30	57.1 42.7	57.1 100.0
Total	70	100.0	

Source; Primary data

Table 2 shows that the gender of the respondents is 57.1% for male and 42.9% for females.

4.1.3 Findings on the highest level of Education attained by respondents.

Findings show that most respondents were degree holders as in the table below.

Table 2: The highest education level attained by respondents

Response	Frequency	Percentages	Cumulative percentages
Certificate Diploma Degree Others	0 0 70 0	- – 100.0 -	- – 100.0 100.0
Total	70	100.0	

Source; primary data

Table 2 shows that most of the respondents have bachelors as the minimum. There were no certificate and diploma holders. The category for others that covered mainly secondary and primary level was also blank as these are never employed by the fund.

4.1.4 Findings on the employees within NSSF

Findings show that most of the NSSF employees have worked with the fund for a period of between 2-5 years as shown in table 3.

Table 3: Time employed within the fund.

Response	Frequency	Percentages	Cumulative percentages
2 years and below	4	5.7	5.7
2-5 years	62	88.6	94.3
Above 5 years	4	5.7	100.0
Total	70	100.0	

Source; primary data

In addition the table above indicates that 5.7% of respondents had worked with the fund for 2 years and below, while 88.6% of them had worked for the fund a period between 2-5 years and the balance 5.7 % had worked for the fund for a period above five years

This clearly illustrates that most employees have worked for the fund for quite a reasonable time and therefore are well conversant with the practices of NSSF.

4.1.5 Findings on designation of employees within NSSF

Findings show that more than half of the employees of NSSF were temporary staff as shown in table 4 below.

Table 4: Designation of employees within the fund

Response	Frequency	Percentages	Cumulative percentages
General managers	1	1.4	1.4
Accountants	1	1.4	2.8
Financial manager	1	1.4	4.2
Risk manager	1	1.4	5.6
Permanent staff	24	34.3	39.9
Temporary staff	42	60.0	100.0
Total	70	100.0	

Source; primary data

From the table above, 60.0% of the employees, respondents were temporary staff, 34.3% were permanent staff and the following respondents constituted 1.4% each, the general manager, accountant, finance manager and the risk manager.

Findings established that there was the top level management, middle level management, and the low level management. Thus, there was balance within the organizational structure.

4.2 FINDINGS ON OBJECTIVE ONE.

SEGREGATION OF DUTIES AND FRAUD PREVENTION MANAGEMENT

Finding about segregation of duties in relation to fraud prevention management as employed in NSSF show that, segregation of duties is highly pronounced within the fund and used as a mechanism aimed at preventing opportunities for fraudulent activities as per the table below.

Table 5: Segregation of duties facilitates fraud prevention management.

Response	Frequency	Percentages	Cumulative percentages
Strongly agree	36	51.4	51.4
Agree	22	31.4	82.8
Not sure	10	14.3	97.1
Disagree	1	1.4	98.5
Strongly disagree	1	1.4	100.0
Total	70	100.0	

Source; primary data

Table 5 shows that 51.4% of the respondents strongly agree that the fund employs segregation of duties at both its organizational and process levels as a mechanism aimed at preventing opportunities for fraudulent activities, 31.4% agree that segregation of duties is employed as mechanism by the fund management to prevent opportunities for fraudulent activities, 14.3% are not sure on whether segregation of duties is aimed at reducing opportunities for fraudulent activities, 1.4% disagree and thus insist that segregation of duties is just a matter of division of labour among employees within the fund. While the same percentage of 1.4% strongly disagree insisting that segregation of duties is just like any other business policy and it is thus employed as a policy rather than as a mechanism by the fund management to cater for the fair distribution of roles, duties and responsibilities across employees within the fund. It's thus a matter of specialization of labour.

4.3 FINDINGS OF OBJECTIVE TWO

INTERNAL AUDIT AND FRAUD PREVENTION MANAGEMENT

Findings about internal audit in relation to fraud prevention management as employed in NSSF show that internal audit is organized and has proved to be an effective mechanism in detecting and exposing incidences of fraud and developing alternative internal control systems to aid in fraud prevention management as per the table below.

Table 6: Internal audit facilitates fraud prevention management

Response	Frequency	Percentages	Cumulative percentage
Strongly agree	34	48.6	48.6
Agree	22	31.4	80.0
Not sure	10	14.3	94.3
Disagree	2	2.9	97.2
Strongly disagree	2	2.9	100.1
Total	70	100.1	

Source; primary data

Table 6 indicates that 48.6% of the respondents strongly agree that internal audit plays a central role in fraud prevention management, 31.4% agree that internal audit aids in fraud prevention management and that auditors have a responsibility of identifying fraud schemes that an organization is most vulnerable to, 14.3% are not sure on whether internal audit facilitates and aids fraud prevention management and 5.8% represents respondents who disagree that internal audit aids and facilitates fraud prevention management insisting that auditors together with internal audit itself have very little or even no influence at all as far as the issue of fraud is concerned together with its prevention but its rather a lack of integrity among employees within the fund.

4.4 FINDINGS ON OBJECTIVE THREE;

ACCOUNTING SYSTEMS AND ORGANIZATIONAL PERFORMANACE

Findings about accounting systems and organizational performance in the National Social Security Fund show that there was use of proper accounting systems. These were computerized systems and only are few records were in manual.

4.4.1 Findings on sales accounting systems

From the findings, it was found that the fund has a sales department. Respondents were also asked whether the receipts issued reflect the amount paid and the following table shows the findings.

Table 7: Receipts issued reflect amount paid

Response	Frequency	Percentages	Cumulative percentage
Strongly agree	38	54.3	54.3
Agree	24	34.3	80.0
Not sure	3	4.3	92.9
Disagree	3	4.3	97.2
Strongly disagree	2	2.9	100.1
Total	70	100.1	

Source; primary data

Table 7 shows that 54.3% of the respondents strongly agree that the fund issues receipts that reflect amount paid, 34.3% agree that indeed the receipts issued reflect the amount paid, 4.3% are not sure on whether the receipts issued reflect the amount paid, 4.3% disagree to the same and only 2.9% strongly disagree to the same. This implies that most of the employee respondents are satisfied with the receipts issued. And on interviewing the clients, they agreed that the receipts issued to them reflect the amount they have paid. However, the information got from face to face interviews with the cashiers and accountants shows that cash received from is banked intact since cash is desirable, portable and valuable and hence prone to theft.

4.4.2 Findings on purchasing system

An effective purchasing system involves issue of a purchase order to the vendor and goods received should be checked for quality and quantity after which a Goods Received Note is prepared. From the findings below, the employees within the fund are aware of the acknowledgment of goods by Goods Received Note.

Table 8: Acknowledgement of goods by Goods Received Note

Response	**Frequency**	**Percentages**	**Cumulative percentage**
Strongly agree	37	52.9	52.9
Agree	23	32.9	85.8
Not sure	8	11.4	97.4
Disagree	1	1.4	98.6
Strongly disagree	1	1.4	100.1
Total	70	100.1	

Source; primary data

From table 8, most respondents (52.9%) strongly agree that there is acknowledgment of goods received using Goods Received Notes, 32.9% agree to the same, 11.4% are not sure on whether goods are acknowledged by a Goods Received Note, 1.4% disagree and 1.4% strongly disagree to acknowledging of goods by Goods Received Note insisting that a Goods Received Notes are not issued when it comes to receipt petty transactions like food stuffs.

This means that the most respondents have an idea of a Goods Received Note. Hence this shows efficiency and effectiveness of the purchasing system.

In addition, findings showed that the fund uses the requisition forms hence any major purchases are made in reference to the requisition form from users.

4.4.3 Findings on Inventory and Stock Practice

Inventory prevents organizations from reactive purchasing paying more that the market price, idleness of fixed assets and labour force because of stock out and inability to meet customer demands whether seen or not.

Findings in the table show there is supply of inventories.

Table 9: Whether inventories are supplied continuously

Response	Frequency	Percentages	Cumulative percentage
Strongly agree	39	55.7	55.7
Agree	18	25.7	81.4
Not sure	9	12.9	94.3
Disagree	2	2.9	97.2
Strongly disagree	2	2.9	100.1
Total	70	100.1	

Source; primary data

From the above table 9, most of the respondents (55.7%) strongly agree that there is a continuous supply of inventories, 25.7% agree to the same, 12.9 are not sure on whether the fund has a continuous supply of inventories, 2.9% disagree and 2.9% strongly disagree. This shows that a big number of respondents are users and therefore having received good service levels for their stock requirements. However, most clients interviewed strongly agreed that they is continuous deliveries of stock to NSSF, hence the question is as to whether these inventories are for the fund individuals. If this is not checked it could result into the fund losing colossal sums of money.

Other findings also showed that stock taking is done periodically and valued using a standard price.

4.4.4 Findings on Pay Roll Systems.

Pay roll system involves the computation of wages and salaries in respect of the firm's employees on the pay roll.

Findings show that most fund's employee's are on the pay roll in the table below;

Table 10: whether all employees are on the pay roll

Response	Frequency	Percentages	Cumulative percentage
Strongly agree	40	57.1	57.1
Agree	30	42.9	100.0
Not sure	0	-	
Disagree	0	-	
Strongly disagree	0	-	
Total	70	100.0	

Source; primary data

Findings from table 10 show that most respondents (57.1) strongly agree that all employees are on the pay roll and 42.7% agree to the same. This implies that the fund has all of its employees on the pay roll. Additional findings reveal that the managing director or his deputy authorized the pay roll.

The interviews also established that “No” employee is allowed to receive money on behalf of other. Otherwise without the employee register, there is likely to be a big financial loss to fund through recording “ghost” workers, wrong payments and paying employees for work not done.

4.4.5; Findings on Accounts Receivable System.

Receivables are book debts which the firm is expected to collect in the near future. Accounts receivable system involves maintenance of accounts receivable records in NSSF.

From the findings below, there is a proper management of accounts receivables in NSSF

Table 11: whether the fund has record of debtors

Response	**Frequency**	**Percentages**	**Cumulative percentage**
Strongly agree	42	60.0	60.0
Agree	28	40.0	100.0
Not sure	0	-	
Disagree	0	-	
Strongly disagree	0	-	
Total	70	100.0	

Source; primary data

Table 11 shows that most respondents (60.0%) strongly agree that the fund has a written record of debtors and 40% agree to the same. This clearly indicates that a big number of respondents are aware of fund’s records concerning and relating to debtors.

Other findings confirm that the fund closely monitors and follows up debtors to update accounts receivable records and mitigate on the risks of nonpayment.

4.4.6 Findings of Accounts Payable System.

This involves the preparation of invoices received from suppliers and preparation of payment voucher for subsequent disbursement of cash for purchases made.

Findings show that there is a proper management of accounts payable in NSSF.

Table 12: Whether the company receives credit

Response	Frequency	Percentages	Cumulative percentage
Strongly agree	38	51.4	51.4
Agree	26	37.1	88.5
Not sure	8	11.4	100.0
Disagree	0	-	
Strongly disagree	0	-	
Total	70	100.0	

Source; primary data

Table 12 shows that most respondents (51.4%) strongly agree that the fund receives credit, 37.4% agree to the same and only 11.4% are not sure on whether the fund receives credit. This implies that the fund has records for accounts payable.

In addition, findings showed that there is clear authority given to extend credit hence credit can only be taken to facilitate fund activities. Discussions with the accountant also confirmed that there was preparation of a creditor's control account and a suspense account.

Further discussions with the accountant established that a proper accounts payable system prevails with a subsidiary ledger that shows the details of each creditor's account. Hence lack of proper control of the accounts payable system could result in goods being sold, job orders executed or services rendered but not invoiced. Thus, the accountant prepares invoices for credit purchases.

4.4.7; Findings about General Ledger

General ledger is the main ledger of the organization. Preparation of the general ledger prevents incomplete records. The table below shows the respondents view as to whether the general ledger is prepared.

Table 13: whether the general ledger is prepared

Response	Frequency	Percentages	Cumulative percentage
Strongly agree	46	65.7	65.7
Agree	18	25.7	91.4
Not sure	6	8.6	100.0
Disagree	0	-	
Strongly disagree	0	-	
Total	70	100.0	

Source; primary data

Table 13 shows that most of the respondents (65.7%) strongly agree that the fund has and prepares a general ledger, 25.7% agree to the same and only 8.6% are not sure as to whether the general ledger is prepared. This implies complete records in the accounting system. Face to face interviews with the accountant showed that the general ledger together with all the other subsidiary ledgers were prepared electronically with an accounting software insisting that manual records are easily manipulated since they are accessed easily.

4.4.8; Finding on whether the General Ledger of NSSF contains all the ledger accounts of the fund.

Proper accounting practices are done when all the ledger accounts in an organization are recorded in the general ledger. It involves maintenance of journals and ledger for recording and classifying the traditional financial transactions. The table below shows the findings as to whether the general ledger contains all the accounts of the fund.

Table 14: whether the general ledger contains all the accounts of the organization

Response	Frequency	Percentages	Cumulative percentage
Strongly agree	39	55.7	55.7
Agree	28	40.0	95.7
Not sure	3	4.3	100.0
Disagree	0	-	
Strongly disagree	0	-	
Total	70	100.0	

Source; primary data

Table 14 indicates that most of the respondents (55.7%) strongly agree that the general ledger contains all the accounts of the fund, 40.0% agree to the same and only 4.3% are not sure on whether the general ledger contains all the ledger accounts of the organization. This means that the general ledger of NSSF contains all the ledger accounts of the organization. Other findings revealed that a business may use many accounts in recording its transactions. However, to protect the money of the stakeholders there is need to place each account on a separate page in a bound or loose leaf book or on a separate card in a tray of cards (the general ledger). This minimizes losses, errors and omissions and at the same time improves the performance of an organization.

FINDINGS ON ORGANIZATIONAL PERFORMANCE

4.4.9 Findings on Cost Control

Having a detailed cost accounting system to monitor expenditures in the operational areas of the firm helps in sustaining, an effective cost control system. Cost control is a prerequisite that enhances profitability. Findings in the table below show that NSSF's cost control is effective.

Table 15: Whether there is control of costs

Response	**Frequency**	**Percentages**	**Cumulative percentage**
Strongly agree	29	41.4	41.4
Agree	36	51.4	92.8
Not sure	5	7.1	100.0
Disagree	0	-	
Strongly disagree	0	-	
Total	70	100.0	

Source; primary data

From the table above, most of the respondents (51.4%) agree that there is control of costs in the fund by monitoring expenditures and placing a limit on them, 41.4% strongly agree to the same and only 7.1% are not sure on whether the fund (NSSF) limits and control costs. This shows that there is effective cost control in the fund.

Additional findings show that the finance manager limits and authorizes expenditure which is good since it enhances profitability and at the same time protects member's contributions.

4.4.10; Findings on Forecasting Profits

To establish profits from future sales, there is need to be aware of current costs likely to increase by putting into consideration likely changes in the ability of the firm to sell its services at established or planned selling prices.

Table 16: Whether the fund forecasts profits by being aware of costs likely to increase

Response	Frequency	Percentages	Cumulative percentage
Strongly agree	20	28.6	28.6
Agree	40	57.1	85.7
Not sure	10	14.3	100.0
Disagree	0	-	
Strongly disagree	0	-	
Total	70	100.0	

Source; primary data

Table 16 above, indicates that most of the respondents (57.1%) agree that the fund forecasts profits, 28.6% strongly agree to the same and only 14.3% are not sure on whether the fund forecasts profits. It can thus be concluded that most staff are aware of the how the fund treats unrealized profits and hence work basing on targets.

Other findings revealed that the fund hit the UGX 2 billion mark as at 30h April, 2011 (NSSF’S Net worth) and this was attributed to operational cost control.

4.4.11; Finding on Measuring Required Return.

Determining the firm’s required return is a profitability function. Every time a firm invests its capital it must have a risk return decision. Findings show that there is measuring required return in NSSF as in the table below.

Table 17: whether the finance manager measures the company's required return (makes risk return decisions)

Response	Frequency	Percentages	Cumulative percentage
Strongly agree	20	28.6	28.6
Agree	34	48.6	77.2
Not sure	16	22.9	100.1
Disagree	0	-	
Strongly disagree	0	-	
Total	70	100.1	

Source; primary data

Table 17 that, most of the respondents (48.6) agree that the finance manager measures the company's required return, 28.6% agree to the same and only 22.9% are not sure on whether the finance manager measures the required return (makes risk return decisions). This has made the fund more efficient and effective in establishing performance standards and potential areas for investment.

4.5 CONCLUSION

All staff needs to be conscious of the risk of handling any business, particularly fund business and risk management should not be overlooked. As a matter of fact, the role of the risk function is to coordinate risk management. The real risk managers are those handling the different processes across the fund. For example, those handling payment, benefits, contributions, customer complaints, procurement etc.

This is because if these people do not adhere to the controls, the risk will crystallize despite the presence of the risk function. So, every staff has a risk management role to play in every process or activities he/she performs.

Controls are good but they need to be checked since these are spearheaded by human beings who could get a loop hole if the system is not checked intermittently through job rotation and segregation of duties which are part of the variable tools in control.

In summary, the objectives of the study have been fulfilled with reference to the research questions and answers provided by the respondents together with the case study at large.

CHAPTER FIVE

SUMMARY OF FINDINGS, DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.0 OVERVIEW

This chapter contains summary of the major findings of the study, conclusions, recommendations and issues for further research based on the objectives of the study.

5.1 SUMMARY AND DISCUSSIONS

5.1.2 Summary of major findings

The main aim of this study was to establish the impact of fraud prevention management on organizational performance as employed in NSSF. The study was based on the objectives below;

5.1.2 Summary of findings of objective one; To find out how segregation of duties facilitates fraud prevention management.

Findings established that segregation of duties is aimed at division of work and all responsibilities which if combined will enable one single person to process and record the transactions from the beginning to the end hence exposing such persons to committing fraud. The main aim is thus to ensure that no one is responsible for recording and processing of a complete transaction. In this case, a person authorizing a transaction may want to perpetrate the fraud but the executor may block the fraud.

Peter J. Best (2003) and Adam .G. agree that segregation of duties is viewed as a critical component of an organization’s internal control structure aimed primarily at reducing opportunities for fraudulent activities.

Ferrailo, Gilbert and Lynch also noted that although more of a policy than a mechanism segregation of duties is used in deterring fraud within financial systems. Therefore all these authors are in agreement with the research findings.

However, even with the above, findings indicated that there is rather a lack of risk consciousness among employees within the fund. More often than not many staff concentrate on completing processes without due consideration to what can go wrong; that is why you find that even the simplest control like locking one's computer when one moves away from the work station is not complied with. This is not due to lack of awareness because the message has been communicated many times, but it is rather lack of risk consciousness. This implies that segregation of duties goes hand in hand with individual initiative and responsibility, something that needs to instilled in the minds of the employees.

5.1.3 Summary of findings of objective two; To examine the role of internal audit in fraud prevention management

Findings indicated that internal audit is well organized within the fund focusing on verification of accounts and prevention of fraud together with all other irregularities that might occur in the course of doing business. This in the long run has ensured that the fund has a strong internal control system which has enhanced the efficient and orderly running of the fund today.

However, even with the above, findings established that there is lack of awareness of the distinction between the role of the risk function and that of the internal audit function to the extent that some think that the two are one and the same and therefore, having the two is duplication of roles. As a matter of fact, the two are different, in reporting structure, operation and approach to risk management

In more recent years, there has been heightened interest in issues associated with the independence and objectivity of internal audit. The motivation for research growth in the area is related to the evolving and expanding role of internal audit as a key consultancy governance mechanism as well as an internal consultancy service. In this regard, internal auditors are in a unique situation as providers of both assurance services within the organization and consultancy services. Not surprisingly, this dual role has generated significant debates as it has the potential to place the internal auditor in a situation of conflict. Furthermore, as employees of the organization, the ability of internal auditors to exercise true objectivity has also been questioned (Paape, 2007)

. Users believe that the detection of irregularities is a primary audit objective and that the auditors have a responsibility for detecting all irregularities. This is a misconception and shows the existence of an audit expectation gap between auditors and financial report users with respect to the actual duties of auditors. Thus in contrast, fraud is an over present threat to the effective utilization of resources and it will always be an important concern for management.

5.1.4 Summary of findings of objective three; To examine the role of accounting systems in organizational performance.

Findings established that, accounting systems are viewed and employed in reverse as accounting controls in NSSF and they are thus used to check the recording function within the fund and to ensure that figures in the financial statements are not only genuine but also correct for accounting purposes.

Findings established concluded that the main objective of accounting practice is to provide information to users to make relevant decisions and form judgments. This has eliminated the element of intrinsic (inner guides) usually applied and followed in decision making by management

Flolock (2006), Macey (2001) defined performance of business as the ability of business to meet the required standards, increased market share, improve facilities, ensuring returns on profitability and total reduction and once this is achieved, a business is believed to be performing effectively.

Laitinen (2002), Baruteugil (2002) and Akal (1992) defined business performance as a capability to produce the targeted output satisfying the need of the interest groups.

Horgren et al …., (1973) states, that, accounting practices are the major quantitative information system in almost every organization. They should provide information for three broad purposes; internal reporting to managers for use in planning and controlling routine operation, internal reporting to managers for use in making routine decisions formulating major plans and policies and external reporting to stakeholders, government and other outside parties for use in investment decision, income tax collection and a variety of other application.

According to Pandey (1983), accounting practices are the financial score of an enterprise. They contain the financial information which is needed by both investors and management. Financial information is required to predict, compare and evaluate the firm's profitability. It is also required to aid in economic decision making. It points out the problems faced or likely to be faced by the enterprise. It also brings to the notice of the firm opportunities that are likely to arise. It indicates possible action when needed.

However, Shirin (2001) writes that accounting practices lack standardization. Standardization of accounting practices would foster the internationalization of the accounting profession.

Uniform accounting practices and principles would enable professional accountancy firms to operate with ease in different countries. It would add to the mobility of the staff.

5.2 CONCLUSIONS

5.2.1 Conclusions of segregation of duties as employed in NSSF

From the above findings, it was established that the fund recognizes segregation of duties at both its organization level and process level. It's thus paramount in all offices of the fund forming part of the fund's internal control structure. This has provided a systematic approach to evaluate and improve effectiveness of risk management, control and monitor performance of employees and business in general.

5.2.2 Conclusions on internal audit as employed in NSSF

From the above findings, it was established that internal audit is well organized and recognized across the fund. This has facilitated review of accounting systems and related internal controls, effectiveness of operations and of the functioning of non financial controls. It has therefore acted as a consultant department on matters of controls and safeguarding of the fund's assets. This has ensured that the fund has an effective system of internal control in place.

5.2.3 Conclusions on accounting systems and organizational performance

From the above findings, it was established that the fund has a comprehensive record keeping system that makes it possible to develop accurate and timely financial reports that show the progress and current condition of the business/fund. An accurate record of the business's financial performance is the vehicle to monitor performance in specific areas, complete and accurate income tax, a basis for found planning for the future, basis for discussion with partners, potential investors and leaders; all these are important aspects which enhance the performance of business. It's for this reason that the fund is addressing performance issues and will be proactive going forward.

5.3 RECOMMENDATIONS

From the respondents' answers, the following recommendations are regarded as the best to improve fraud prevention management as a key to organizational performance in NSSF.

5.3.1 Recommendations on segregation of duties.

Practice team work

Fraud risk is dynamic and evolves in conjunction with an organization, people and processes. Combating such risk requires a collection effort from all ranks no single executive or employee stands alone on the front lines as there is no one-size-fits-all approach that will result in the successful management of fraud risk. Thus much as segregation of duties is paramount in all offices of the fund, employees together with management need to work together as a team rather than as individuals or units.

Ensure accountability for fraud risk is wide spread.

Organizations are struggling to understand what fraud risk management means in the context of their daily operations. It's for this very reason that the senior management of the NSSF needs to come out and support anti-fraud initiatives and at the same time ensure that accountability for fraud risk is wide spread throughout the fund. Management should explicitly state accountability for fraud prevention in job descriptions or roles or responsibilities, or incorporate ethics or fraud prevention goals within performance management.

5.3.2 Recommendations on internal audit.

Proper utilization of human resource activities

Management should carefully monitor, support and control human resource activities as they play a central role in fraud risk management. Human resource activities when closely supervised by management can be used in fraud prevention as a performance or management metric.

Focusing on, Education and Awareness.

Education and awareness are critical issues that need greater attention in order to successfully manage fraud risk. Individuals responsible for the implementation of fraud risk management strategies should be typically included in the training and education programs concerning and covering fraud. These programs should be either periodically or annually organized by the fund management with assistance from stakeholders where possible.

Fraud awareness training should be provided to all employees across the fund for it is essential in building a healthy control environment.

5.3.3 Recommendations on accounting systems.

Monitoring accounting systems at the process level

At the process level, accounting systems are prone and vulnerable to manipulation by fraudsters and it's in management's interest to closely monitor and control accounting systems at this level.

In order to boost fraud prevention management effectiveness and efficiency, the activities need to be supported by a dedicated information system fraud management system. Such a system supports activities by enabling achievement of goals facilitated by close monitoring and supervision of such systems. But management needs to be aware that professional fraudsters change their tactics after discovering how a fraud detection system works. This implies that much as management may have such systems in place, there is still need to continuously up-grade and monitor such systems

Evaluating and rewarding behavior, in order to focus employee's attention on strategic priorities and to motivate them to take actions and make decisions which are consistent with organizational goals and objectives.

5.4 ISSUES FOR FURTHER RESEARCH

5.4.1 Performance appraisal and profitability in organizations

5.4.2 Training and profitability

5.4.3 Internal control system and profitability

5.4.4 Reward systems and performance in organizations

5.4.5 Incentives schemes and performance in organizations

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UGANDA MARTYRS UNIVERSITY

FACULTY OF BUSINESS ADMINSTRATION AND MANAGEMENT

QUESTIONNAIRE FOR BBA RESEARCH PROJECT

APPENDIX : I EMPLOYEE QUESTIONNAIRE

This study is focusing on the fraud prevention management and its impact on organizational performance. The research will be used for only academic purposes for the partial fulfillment of the award of BBA. Kindly spare your valuable time and respond to the following information about fraud management and organizational performance. Your information will be treated with utmost confidentially.

SECTION A: BACKGROUND INFORMATION

1. Gender: Male ☐ Female ☐

2. Highest level of education attained:

   Degree and above ☐ Diploma ☐ Others ☐

3. For how long have you worked with NSSF?

   2 years and below ☐ 2-5 years ☐ above 5 years ☐

4. What is your job position? …………………………………………………………….

SECTION B: SEGREGATION OF DUTIES

5. The company recognizes segregation of duties at both entity level and process level.

Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree

6. Segregation of duties is part and parcel of the organization's internal control structure aimed primarily at reducing opportunities for fraudulent activities.

Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree

7. The auditors place significantly lower reliance on internal control systems with adequate segregation of duties.

Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree

SECTION C: INTERNAL AUDIT

8. Accountability for fraud risk is not wide spread.

Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree

9. Audit committees often receive filtered information about fraud allegations and concerns.

Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree

10. The auditors are required to be more productive in searching for fraud during the course of an audit.

Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree

11. The auditors have a responsibility for detecting all irregularities.

Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree

12. The activities are supported by a dedicated information system fraud management system.

Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree

SECTION D: Sales Accounting System

13. The company has a sales department.

Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree

14. All cash sales have a corresponding receipt issued.

Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree

15. Cash received from sales is banked daily/inact.

Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree

SECTION E: Purchasing System

16. Procurement of inventories is carried out by the purchasing department.

Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree

17. A requisition form is signed by an authorized person.

Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree

18. All accepted goods are acknowledged by Goods Received Note sequentially pre-numbered.

Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree

SECTION F: Inventory and Stock Practice

19. The company has a continuous supply of inventories.

Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree

20. Stock taking is done on a continuous basis by the store keeper.

Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree

21. Stock valuation is by standard price.

Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree

SECTION G: Pay Roll System

22. The company has a permanent written record foe each employee.

Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree

23. All employees are on the pay roll.

Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree

24. An authorized person approves the payroll before payment.

Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree

25. Some employees receive money on behalf of others.

Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree

SECTION H: Accounts Receivable System.

26. The company offers services on credit

Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree

27. The company analyses the customer's position before credit is given.

Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree

28. The company has a record of debtors.

Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree

29. The company follows up debtors.

Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree

30. There is authorization of debtors' transactions.

Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree

SECTION I: Accounts Payable System.

31. The company receives credit.

Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree

32. Authority to take credit is given.

Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree

33. The company prepares invoices for credit purchases.

Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree

34. The company prepares a creditors' control account.

Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree

SECTION J: General Ledger.

35. The accountant prepares the general ledger.

Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree

36. The general ledger contains all the ledger accounts of the organization.

Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree

37. The general ledger is prepared using the manual accounting system.

Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree

SECTION K: Organizational Performance.

38. The company has a financial manager who monitors expenditure in the operational areas.

Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree

39. The financial manager limits and authorizes expenditure.

Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree

40. The company forecasts profits by being aware of current costs likely to increase.

Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree

SECTION K: Recommendations

In your own opinion, what do you suggest for NSSF to do so as to improve on its performance and image as a business entity?

APPENDIX: II INTERVIEW GUIDE

1. Cash and cheque handling

i. Do you prepare receipt for all cash received inform of notes and coins?

ii. Are receipts serially numbered?

iii. Who keeps records of receipt books issued?

iv. Do you receive cheques?

v. Are unused receipts kept under key and lock?

vi. Do you collect revenue everyday?

vii. Are there any company debts?

viii. Who collects company debts?

ix. Do you prepare journal entries in relation to cash transaction?

x. Do you receive bank statement?

xi. Do you carryout bank reconciliation?

xii. Who reconciles the bank statement?

2. Revenue

i. What is the source of revenue?

ii. Who collects money from source?

iii. How do you record revenue?

iv. Do you record revenue?

v. Do you have any debtors?

3. Expenditure

i. How are salaries paid; by cheque or cash?

ii. Do you prepare a pay roll?

iii. What expenditure do you normally incur?

iv. Who authorizes expenditure?

v. How are payments effected?

vi. Is there pre-audit of expenses

vii. Do you operate petty cash system?

viii. How is the petty cash operated?

ix. What kind of purchase do you normally undertake?

4. Fraud prevention management.

i. Is segregation of duties a critical component of the organization's internal control structure?

ii. How is it implemented in your organization?

iii. What is included typically within fraud risk management as per your organization?

iv. Is your organizations' fraud risk assessment process informal and occurring periodically, formal and refreshed at least annually or neither?

v. Does your organization have a defined fraud risk assessment process at the entity level, process level, both or neither?

vi. Which one entity within your organization is primarily responsible for conducting your fraud risk assessment?

vii. Does your organization offer ethics and fraud awareness training?

viii. Is your internal audit organized within the organization, organized outside the organization (out sourcing of internal audit), or a combination of both (co-sourcing.)?

5. Departmental structure.

i. Who heads the accounting and financing department?

ii. What are the various sections of the department?

iii. Who heads the section?

iv. What are the various duties in the respective section?

v. Are all the departments well defined with qualified staff?

6. Transactions.

i. Where do transactions originate?

ii. Who originates transactions?

iii. Do you record transactions?

iv. Who records the daily transaction?

v. Do you check records?

vi. Are collections carried out in time?

vii. Do you prepare financial accounts statements?

viii. Who prepares financial statements?

7. History of the enterprise.

i. When was the company started?

ii. Is your company registered?

iii. Who runs the company?

iv. What are the major aims and objectives of the company?

v. For how long have you been in business?

vi. What are some of the problems associated with your business?

vii. Have you come up with some solutions to those problems?

viii. How many people do you employ in your company?

ix. Have you achieved some of the aims and objectives for the time you have been in business? If so, how have you done this?