

KIGALI INDEPENDENT UNIVERSITY ULK
SCHOOL OF ECONOMICS AND BUSINESS STUDIES
DEPARTMENT OF ACCOUNTING

**INTERNAL AUDIT AND PERFORMANCE OF MANUFACTURING
COMPANIES**

CASE STUDY: BRALIRWA

PERIOD: 2020-2023

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the requirement of a bachelor's degree in
Accounting

BY

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DECLARATION

I, **MUHAWENAYO BENITHA** hereby declare that this dissertation titled the internal audit and performance on manufacturing companies case study: Bralirwa period: 2020-2023 is my original work and has never been presented anywhere else for any other academic qualifications at any university or institution of higher learning.

Date:/...../2024

Signature:

CERTIFICATION

This is to certify that this dissertation titled internal audit and performance on manufacturing companies case study: Bralirwa period: 2020-2023 is a study conducted by **MUHAWENAYO Benitha** under my supervisor and guidance.

DDUMBA ARAFAT Yasser

Signature:

Date...../...../2024

DEDICATION

- ✓ To my family members
- ✓ To Relative and Friends

ACKNOWLEDGEMENT

First, I am grateful to my Lord Jesus Christ for giving me health, strength and perseverance to continue and finish my study Secondly, My sincere thank is addressed to staff of university especially the founder of ULK, **Prof. Dr. RWIGAMBA Balinda** and all lecturers of School of Economics and Business Studies for their support, and therefore I thank all MY classmate whom I shared a lot of experience and knowledge at university

I would like to thank my supervisor, **DDUMBA ARAFAT Yasser** for making this meaningful learning process. His guidance and encouragement throughout the process of formulating my ideas was invaluable. His ability to view things practically was critical and priceless to the success of this study and needs to be completed.

Finally, I owe much to my family members for their support, their advices and encouragement which was a big contribution to my research, may God bless them.

May God bless all of you!

MUHAWENAYO Benitha

LIST OF ABBREVIATIONS AND ACRONYMS

ACCA	: Association of Chartered Certified Accountant
ATM	: Automatic teller machine
COSO	: Committee of sponsoring organization
FSAP	: Financial Sector Assessment Program
FSDP	: Financial Sector Development Plan
IC	: Internal Control
IT	: Information Technology
Ltd	: Limited
MVA	: Market Value Added
NBR	: National Manufacturing of Rwanda
PIN	: Personal Identification Number
ROA	: Return on assets
ROE	: Return on equity
ROI	: Return on investment
ROS	: Return on sales
RWF	: Rwandan Franc
S.A	: Société Anonyme
SIC	: System of Internal Control
SMS	: Short Message Service
SSFR	: Social Security fund of Rwanda
U.S	: United State
ULK	: Université Libre de Kigali
%	: Percentage

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ABSTRACT

The purpose of this study was to examine the effect of internal audit on performance of manufacturing companies in Rwanda. The specific objectives of the study were to examine the effectiveness of internal audit in Bralirwa Plc and to assess the relationship between internal auditing and financial performance. The population under study is 30 employees of Bralirwa Plc including finance employees, accounting, procurement, inspection, internal audit and managers to be given questionnaires and interviewed. An explanatory research survey was adapted as research design where a total sample of 30 respondents was selected. 100% of the respondents agree that they like to have their Manufacturing audited. All supported their answers by mentioning that through auditing, one knows the financial status of Manufacturing. Others said that auditing leads to significant improvement in financial institution's performance. Manufacturing performance is achieved that ranges between 4.41 and 0.49 with standard deviation ranges said that internal audit are independent from 4.34 and 0.65 with standard deviation said that the internal audit is characterized by objectivity, range between 4.26 and 0.60 with standard deviation argued that the internal is competence. From these findings it is revealed that the internal audit is effective and reliable based on the characteristics during 2020 to 2023 internal audit of Bralirwa plc identify the following errors: errors of omission with 4.41 mean and 0.49 standard deviation, 4.34 mean with 0.65 standard deviation mean errors of principle, 4.26 mean and 0.60 compensating errors, 4.34 mean with 0.48 standard deviation, clerical errors and 4.38 mean with standard deviation 0.49 are embezzlement. These findings allowed the researchers to say that the accountant of Bralirwa plc was not qualified of preparing the financial statement fairly. But, the auditor contributed in collecting those errors. net profit margin ratio from 2020 up to 2023 the ratio are 8.9%, 14.1%, 14.3% and 16.1% respectively. This means that in 2020 for 100 Rwf of sales has got 8.9 Rwf, in 2021 for 100 Rwf of sales has got 14.1 Rwf. in 2022 for 100 Rwf of sales had got 14.3 and in 2023 for 100 Rwf of sales had got 16.1

The significant Spearman correlation coefficient value of 0.708 confirms what was apparent from the table; there appears to be a strong positive correlation between the two variables. It means in BRALIRWA PLC Internal Audit is essential in all operations.

Key concepts: Internal Audit and performance

CHAPTER ONE: GENERAL INTRODUCTION

This part focus on the back ground of the study and Problem statement of the study related to the topic, research questions, hypothesis and objectives as well as scope of the study and significance of the study.

1.1. Background of study

Globally it is argued that understanding the concept of internal audit is essential for developing an understanding of its impact on the performance of an organization. Internal audit of an entity is strictly interrelated to the structure used by management to oversee the activities of the organization. Good corporate governance should provide proper incentives for the board and management to pursue objectives that are in the interest of the company and shareholders and should facilitate effective monitoring, thereby encouraging firms to use resources more efficiently (Aldridge &colbert, 2021)

Major recent financial scandals in the United States and Europe highlighted that when governance does not act in the interest of the stakeholders and does not identify, evaluate and respond to the company's risks-or, in any another way, companies are fated to failure and Manufacturing confidence in capital markets and companies in general is put at risk (Sebbowa Bamweyana, 2018). One of the main aspects which contributes to the failures relate to the internal audit developed around the disclosure of information to stakeholders. It appears that not achieving the objective of effective internal audit over financial reporting undermines the reputation of a company, even at the presence of any other control components, making it difficult or impossible for a company to be reliable on the market and to be able to collect financing resources, to be credible to stakeholders in general (Maitin, T. 2020).

In Africa, there is limited research about the changing nature of internal audit in financial institutions and the actual evaluation of the internal audits in organizations. Few works have been written concerning the creation and management of internal audits in non-governmental organizations, but research regarding internal audits in Manufacturing organizations has been limited (Boakye v, 2019)

Further, given the African business environment, there appears a need for testing the evaluation methods of internal audit over management of Manufacturing finance and benchmarking the results against best practices ((Rittenberg & Schwieger, 2021)

This increased the demand for capital to such an extent that it will not possible for sole proprietor or a partnership firm to provide the same. The result will the establishment of joint stock companies with limited liabilities of the shareholders. Under the company form of organization, it is not possible for the shareholders to participate in its management. In the beginning, a shareholder will appointed as an auditor of the company to check its accounts but it could not serve any useful purpose as they lacked technical knowledge, experience or ability for such work hence the custom for the appointment of professional auditors developed by The present state of auditing and auditors reports is the culmination of several centuries of development(Maitin, T. 2020).

Internal auditing is an independent, objective assurance and consultancy activity systematically designed to add value and improve an organizations operations, performance, efficiency and effectiveness. It helps the organization to achieve its objectives and goals by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk control; planning and management control. In the past, auditors complained of fraud and errors as an objective of auditing and it will the auditors duty to report to shareholders of all the dishonest acts that were observed and had affected the propriety of the contents of the financial statements and by early 1930's, it will recognized that the auditing objective will for the verification of accounts ((Shakir, 2020).Many organizations have now employed the use of internal auditing since it is today's major factor in establishing the quality of the organizations Internal Auditsystem. Organizations are also struggling to implement more effective governance structures and processes. In such as climate, it is no surprise that the internal audit function is viewed as the most qualified group of professionals to help with such experimentation with improved governance as well as support key governance processes for monitoring the controls over and for evaluating the operational effectiveness of these management strategies and initiatives ((Sani, 2021),

1.2. Problem statement

The world economy today is characterized by a growing of trade and production corporations. This growth is accompanied by an increase in the number of businesses that have varying interest in those companies. To satisfy their interest and to allow them to make relevant decision accounting, following the review of these documents and accounting statements

In Rwanda, some the manufacturing has failed because of bad internal audit system. In addition, research that has been conducted by MINICOM and Rwandan manufacturing companies has revealed that there is a lack of qualified managers and auditors in both quality and quantity (Minicom Report, 2020). Thus, when there is a weakness in audit practices, it is normally to encountered problems in manufacturing performance. However despite all efforts to be used, many private and public limited companies still struggles with Liquidity problems, financial reports are not made timely, sometimes accountability for financial resources is still wanting, frauds and misuse of institutional resources have been unearthed and a number of decisions made have not yielded the expected results.

Manufacturing companies have been always subject to weak productivity and inadequate financial performance. A number of factors are argued to be the cause of this weak performance, and they include among others the problem of weak organizational lack some thing of technological know-how inadequate infrastructure, limited investment resources and limited human resources base in Rwanda's manufacturing companies.

In general manufacturing sector managers do not deals effectively internal audit with uncertainty. (Sebbowa Bamweyana,2019) states as follow the common characteristics of the financial sector or mismanagement incompetence , or ignorance about risk management and managers are most cases politicians who don't necessarily have the managerial skills Rwandan manufacturing companies are concerned about this matter and are concerned about same managers who are not skilled in identifying evaluating and controlling risks its relevant for financial companies to establish an enhance the role of internal auditors rerating to risk management the situation of risk management.

1.3. Objectives of the study

This research has both general and specific objectives

1.3.1 General objective

The general objective of this study is to examine the effect of internal audit on performance of manufacturing companies in Rwanda.

1.3.2. Specific objectives

- ✓ To examine the effectiveness of internal audit in Bralirwa Plc.
- ✓ To assess the relationship between internal auditing and Financial performance

1.4. Research questions

- ✓ Is Internal audit in Bralirwa effective?
- ✓ Does internal audit contribute to the financial performance of Bralirwa Plc?

1.5. Research hypothesis

1. Internal audit in Bralirwa Plc is effective.
2. Internal audit of Bralirwa Plc contributes to its financial performance.

1.6. The scope of the study

The scope of the study was limited in time, Domain and Geographic

1.6.1. Time Scope

The period of research goes from 2020 up to 2023. I prefer these year because the study focus on them and sufficient to access this study and this time period is sufficient to inform my research objectives

6.2 In domain

This study is based or limited in auditing domain with purpose of showing impact on the overall performance of Bralirwa Plc

6.3. Geographical Scope

This research carried out” internal audit and performance of financial institutions” with focus to Bralirwa Plc as a case study. Bralirwa Plc is where the research carried out. I choose Bralirwa Plc because it is easy for us to reach there for collecting data.

1.7. Significance of the study

The study was important to the researcher, to Kigali independent university (ULK) and to the Rwandan society in general also Government, and to the other researchers. This section deals with motives which pushed the researcher to choose and be interested in her/his topic.

1.7.1 Personal interest

To carry out a study is among the best opportunities to improve one's knowledge. This study will give the researcher an opportunity to put into practice the theory learnt from the school concerning the audit. For the student (researcher) the successful accomplishment of this study will be vital for him to fulfill the requirement that lead to the award of a bachelor's degree.

1.7.2. Academic and scientific interest

Every student who will finishing his or her bachelor's degree should leave a scientific legacy, on academic level, this study will deposit to Kigali independent university (ULK) requirement according to which, every student ending his or her bachelor's degree must Bralirwa Plc limit his dissertation to the main library after having defended it in front of a jury composed by 3 jurists.

Manufacturing Company

1.7.3. Social interest

Seeing social economic problems caused by lack of credibility in Manufacturing company this presents work that will help the Rwandan society in general and rural areas citizens in particular to know the importance of audit in Manufacturing company

1.8 Structure of the study

This study is divided into four chapters:

Chapter one is General introduction which includes; background of the study, statement of the problem, objectives of the study, research questions, the significance of the study, limitations of the study, the scope of the study, and organization of the study.

Chapter two: Literature review this reviews literature related to review in brief the ideas of preceding authors about the topic and other fundamental concepts,

Chapter three: Research methodology It shows the methodology that were used to carry out the research (research design and sample size, method of data collection and data processing, data interpretation and ends by outlining the limitations that the researcher has encountered),

Chapter four is Presentation of findings it focuses on the research findings, analysis and interpretation of data collected. The empirical data collected provides the basis for answering the research questions,my research ended by General conclusion

CHAPTER TWO: LITERATURE REVIEW

Introduction

The literature review covers the review of past studies on the concepts related to audit streaming from the basic definitions and terms used in the field of auditing and performance audit. It also identifies the gap in the existing literature consulted. The literature review ends with the summary of key issues raised.

2.1. Conceptual Review

The definition of key words is very important because one word can be defined differently by different researchers and can have different meaning according to the domain of research.

2.1.1 Internal audit

As mentioned above, the word "audit" is derived from the Latin "audire" meaning "to hear". For many years, auditing has generally been associated with only accounting and financial records. According to (Manasseh, 2021) , auditing is an independent examination of book of accounts and the voucher of the business, with a view of forming an opinion as to whether those have been kept properly according to the companies' act and as to whether the statements drawn from the books of accounts portray a true and fair view of the company's state of affairs at a given date.

There are also other authors who have defined "audit" in the following word: According to (Mautz, 2019)"Auditing is concerned by the verification of accounting data and with determining accuracy and reliability of the accounting statements and reports". According to (Dicksee, 2018) "Auditing can be understood as an examination of book of account or accounting records with a view to establish whether they correctly and completely reflect the transactions but this is the end of matter because the auditor also express his opinion on the character of the statement of accounts prepared from the accounting records so examined, whether they portray a true and a fair picture"

According to (Montgomery, 2021) " Auditing is a systematic examination of book of account and the records of the business in order to ascertain or verify and to report upon the facts regarding the financial operations and the results therefore".

2.1.3. Performance

(Mahes War , 2018) explain that the primary test of managerial economic performance is the achievement of a high earning rate on equity capital employed and not the achievement of consistent gain in earnings per share. In our view many business would be better understand by their shareholder, owners as well as the general Bralirwa Company Plc, if managements and financial analysts modified the primary emphasis they place upon yearly changes in that figure.

(Steers M.F , 2022) Defines performance as the extent to which an individual can successfully accomplish a task or achieve a goal, but comprehensive definition of performance should consider “performance as the extent to which an individual in his/her ability and within or outside the limits of a position can successfully accomplish a task or achieve a goal.

(Tosi L. Rizzo , 2019) states that the performance is the result of the application of mental or physical effort. Performance levels can be stated in different ways in terms of quantity or quality and may reflect some objective judgment by a manager.

2.2. Theoretical Review

It identifies and analyzes the key theories and concepts that have been used to explain a particular phenomenon.

2.2.1.The policeman theory

asserts that the auditor is responsible for searching, discovering and preventing any fraudulent activity. However, the role of auditors is to provide reasonable assurance and an independent, true and fair view of the financial statements. Although, there has been more pressure on auditors to detect fraud after recent reporting scandals e.g. Enron. It can be argued that in modern societies, the users of statements want auditors to be responsible for fraud detection as they use audit reports to analyse and make decisions. However, auditors are not responsible for finding all fraud but should improve their detection rate to instill public confidence. The primary responsibility of fraud prevention and detection rests with the management and the governance of an organisation; it is also important that more emphasis is placed on prevention of fraud. However, the auditor also has a duty of care to the end users of audit reports and should consider risks of material misstatements due to fraud when calculating audit risk.

2.2.2. The credibility theory

Suggests that adding credibility to financial statements is an integral part of auditing, making it a fundamental service auditors provide to clients. Audited financial statements boost users' confidence in an organisations financial records and management's stewardship; in turn, improving their decision quality such as, investment or new contracts, based on reliable information. This is because stakeholders need to have faith in the financial statements. The credibility gained by financial statements would affect decisions by stakeholders (e.g. Credit limits provided by suppliers) and also helps shareholders put trust in management; reducing the 'information asymmetry' between stakeholders and management.

2.2.3. e agency theory

Emphasizes that audit services are employed in both the interests of third parties and management. An agency relationship exists between the agent (management) and principals (shareholders, employees, Manufacturing etc.); where the authority of decision-making is delegated to the agent. If both principals and agents want to maximize utility, the agent may not always act in the best interests of the principal as their interests may differ e.g. shareholders may want to maximize share value, management may be interested in company growth.

Hence, agency theory focuses on the costs and benefits of an agent-principal relationship. Costs that arise due to the decision-making authority given to agents, in modern companies due to separation of ownership and control are 'agency costs', agency costs are the sum of the monitoring expense by the principal, the bonding expense of the agent and the residual loss. A beneficial agency cost would maximize shareholder value and an unwanted agency cost would arise due to conflict of interest between shareholders and managers. Analysis of agency costs give an indication of how well an agent is discharging his responsibilities towards the principal, enabling the principal to observe and introduce controls to reduce any conflict of interest. As an organisation has many contracts, several parties (e.g. suppliers, employees etc.) which add value to the company for a given price, for their own personal interests; it is the agents responsibility to optimize the contracts to maximize the value of the organization.

2.3.Effectiveness of Internal Audit

Internal audit is a vital function within organizations, designed to provide independent assurance that the organization's risk management, control processes, and governance framework are operating effectively.

2.3.1.Role and responsibility of internal auditor

The basic role of internal auditing is to help management achieve company goals. It also provides assurance that management has implemented a satisfactory Internal Auditsystem to prevent risks.

In addition, internal auditing should provide internal consulting services to all levels of the organization in terms of training, advices, facilitation and counsels (IIA, 2019). The Institute of Internal Auditors (2021) issued the internal auditing responsibilities, the section related to objectives stated, “The objective of internal auditing is to assist all members of management in the effective discharge of their responsibilities by furnishing them with analyses, appraisals, recommendations and pertinent comments concerning the activities reviewed.

The internal auditor is concerned with any phase of business activity where he can be of service to management. This involves going beyond accounting and financial records to obtain a full understanding of the operations under review (Vinten, 2019).”

Sawyer and Vinten (2019) described benefits of internal auditing assistance, which provides action and judgment basis to managers by reporting, performance and Internal Auditlimitations and recommendations for improvements, for solution of business problems providing counsel to board of directors and managers for its solution and providing useful, timely and reliable information to the management.

Furthermore, the statement also mentions the internal auditor services types and activities kind achieving the overall objectives. The internal auditor appraises the firm operations as planned and to determine the outcomes with the established objectives and appraises the Internal Auditsystem adequacy and effectiveness of company.

The basic purpose to check the adequacy of the internal auditing of the company is to determine about the reasonable assurance provision that the company objectives met efficiently.

According to the Institute of Internal Auditing (2021) definition, internal auditing can appropriately be classified into three different areas; internal control, corporate governance and risk management. According to the Institute of Internal Auditing (2021) internal auditors play a key role in risk management and providing consultants and assurance services to the executives.

First, the Institute of Internal Auditors issued “The Role of Internal Auditing in Enterprise Wide Risk Management (ERM)” as a direction to the internal auditors that they should play a role in the enterprise risk management procedure.

Secondly, related to consulting services the Institute of Internal Auditing report describe four basic activities for internal auditor to be accountable, which are; coordinating Enterprise Wide Risk Management activities, maintaining and developing the Enterprise Wide Risk Management framework, facilitating the identification and evaluation of risks, and for the board support developing of risk management strategy.

2.4. Internal Audit as Mechanisms

Internal audit serves as a critical mechanism within organizations, providing a structured and systematic approach to assessing and improving the effectiveness of risk management, control processes, and governance

2.4.1 Internal Audit as a Risk Management Mechanism

Value addition to the entity can be given by the internal auditors. It can be done by giving assurance that its exposures regarding risk are properly managed and understood (Walker, 2017). Internal audit need to play a vital role in monitoring the risk profile of a company. Moreover, it should identify areas in order to better the risk management procedures (Lindow and Race, 2017).

An internal audit can be helpful for organizations in identifying and evaluating risks and putting the profession at the front line of the risk management (Walker et al., 2019). Further, Kwan (2018) describes that within a company, development of a risk based culture is required in order to build a strong organizational commitment for risk management. This should result in the development of an integrated risk management framework.

2.4.2 Internal Audit as a Control Mechanism

The management and directors of an entity adopt the process of internal control.

This process gives assurance about the achievement of the entity’s objectives regarding financial reporting, operations and compliance with the regulations (COSO Report, 2020). External

auditing standards (Such as: AUS, 402 and ISA, 400) shows that the control environment can be strengthened by using effective internal audit function by:

Review of the Internal Audit structure of a firm, On behalf of the management; monitoring different operations regarding the information system and control procedures (AUS 402).

The asymmetry of information between division managers and senior manager's result (San M and Govindarajan, 2021) in weakening the ability of the senior managers to firmly control operations. The reason for this problem is the presence of internal agency costs (Ettredge et al., 2021) which occurs between the upper management and the lower level staff because of the incentive's differences.

So the use of strong internal controls system including the internal audit for reviewing and monitoring mechanism. So keeping this in mind, senior management can delegate their responsibilities in accordance with the Internal Audit to the internal audit function (Chambers, 2021).

2.4.3. Internal Audit as an corporate Governance Mechanism

From the agency point of view, the role of strong governance within a firm lays by aligning the management interests with the stakeholders in order to minimize agency costs (Cohen et al., 2012). An independent board chair, independent directors on the board, internal audit, external audit and effective audit committee are different corporate governance mechanisms used to monitor behavior of the management (Cohen et al., 2019).

According to The complex interactions within these governance mechanisms are like a "corporate governance mosaic" (Cohen et al., 2019).

But problems between independent and executive directors due to asymmetry information shows internal audit more likely as a complementary mechanism.

This is supported by determining evidences from the researches examining the relationship between audit committees and internal audit (Carcello et al., 2021).

This is in accordance with the IIA view about internal auditing; which helps organizations to improve and evaluate governance processes (IIA, 2014, 2019).

So, positive relation between the internal audit function and a stronger audit committee can be expected because of their closely intertwined goals (Scarborough et al., 2021). An effective audit committee can strengthen the internal audit function position (Verschoor, 2012)

Braiotta, (2014) whereas a powerful internal audit function can result in enhancing the audit committee's effectiveness (Bishop et al., 2021).

2.5. Challenges of Internal Audit

Ahmad and Taylor (2021) describe that an internal audit should be an objective task and that it can compromise sometimes in the reporting line, where they required to report and review the operational areas. The internal audit should have an independent role and this is a long term confront for the internal auditors. Internal auditors' profession has received a new awareness due to the rise of corporate governance. Internal auditors should not public coordinate their decision during an audit to management but they cooperate with them and accept boards of director's judgment about management (Ahmad and Taylor, 2021).

Marco et al., (2016) further stated that the internal auditors required reinforcing their relationship with the board of directors and with audit committee. Internal auditors providing assurance should be the best achievement of objectives as well as independent, i.e. in terms of internal control, corporate governance and risk management.

According to the study conducted by Marco et al., (2018) internal auditor's actions were used to new legislation, development and requirements.

Internal auditor importance is growing due to their activities and their professions still need to be recognized within the firm. The complexity of firms increases due to huge business transactions, advancement in information technology and due to broad dynamic environment.

2.6. Review related to Performance

Performance is one does within the limits of position created by an organization to achieve goals. This definition seems to be narrow and ignores the fact that performance varies from person to person. Some people may do things within the limits of position and fail to achieve goals.

The idea of performance as what one does within the limits of a position creates some do BRALIRWA Company Plc. Whatever one does, whether outside the limits of a position, but aimed at achieving organization goals, should also be considered as performance, (Miner, 2021).

Performance is organization ability to attain its goals by using resources in an efficient and effective manner. He further stresses that the manager's responsibility is to coordinate resource in the most effective and efficient manner to accomplish the organization's goals (Daff, 2022).

It is necessary to have both the ability and motivation to perform. If either ability or motivation is low, performance will also be low and the reverse is true, (Benton, H. 2020)

Defined performance as the extent to which an individual can successfully accomplish the task or achieve a goal. performance as a complete concept includes not only the production of certain tangible units of outputs, but also of less tangible outputs, such as effectively supervising others, thinking in a creative way, inventing a new product, resolving a conflict between others or selling a good or service.

The definition of performance by Steers proves a clear understanding of what performance is, but the idea of "ability" should be well emphasized in the definition.

Thus a comprehensive should consider performance as the extent to which an individual in his or her ability and within or outside the limits of a person can successfully accomplish a task or achieve a goal, (Steers, 2022).

Performance is the result of the application of mental physical effort performance levels can be started in different way in terms of quantity or quality and may reflect some objectives judgment by a manager.

A particular level of performance may be judged as "high" for one person, but the same level may be only "satisfactory" or perhaps "unsatisfactory" TOSI went ahead to explained the performance this way: "I think it is an immutable law in business that, wards, explanations are explanations, promises are promises but only performance alone is reality. Performance alone is the best measure of your confidence, competence and courage. Only performance gives you freedom to grow as yourself. Just remember, that is why my definition of manager is what it is:

one turns in the performance. No alibis to others or others to others or to one's self will change that. And when you have performed well, the world will remember it. Whenever any things else is forgotten.

Many writers assert that, whether managers are responsible for the organization as whole or for a single department, their ultimate responsibility is performance, (Tosi, H. 2022).

2.6.1 Profitability Ratios

A profitability ratio is considered as a measure of profitability, which is a way to measure a company's performance. Profitability is simply the capacity to make a profit, and a profit is what is left over from income earned after you have deducted all costs and expenses related to earning the income.

2.6.1.1. Types of Profitability Ratios

Common profitability ratios used in analyzing a company's performance include gross profit margin (GPM), operating margin (OM), return on assets (ROA), return on equity (ROE), return on sales (ROS), and return on investment (ROI). Let's take a look at these in some detail.

2.6.1.1.1 Gross Margin

Gross margin tells you about the profitability of your goods and services. It tells you how much it costs you to produce the product. It is calculated by dividing your gross profit (GP) by your net sales (NS) and multiplying the quotient by 100:

$$\text{Gross Margin} = \frac{\text{Gross Profit}}{\text{Net Sales}} \times 100$$

2.6.1.1.2. Operating Margin

Operating margin takes into account the costs of producing the product or services that are unrelated to the direct production of the product or services, such as overhead and administrative expenses. It is calculated by dividing your operating profit (OP) by your net sales (NS) and multiplying the quotient by 100:

$$\text{Operating Margin} = \frac{\text{Operating Profit}}{\text{Net Sales}} \times 100$$

2.6.1.1.3. Return on Assets

This metric measures how effectively the company produces income from its assets. You calculate it by dividing net income (NI) for the current year by the value of all the company's assets (A) and multiplying the quotient by 100:

$$ROA = \frac{\text{Net Income}}{\text{Total Asset}} \times 100$$

2.6.1.1.4. Return on Equity

Return on equity measures how much a company makes for each dollar that investors put into it. You calculate it by taking the net income earned (NI) by the amount of money invested by shareholders (SI) and multiplying the quotient by 100:

$$ROE = \frac{\text{Net Income}}{\text{Total Equity}} \times 100$$

2.7. Relationship between Internal Auditing function and financial performance

Whittington & Pany (2021) suggest that internal auditing is performed as part of the monitoring activity of an organization. It involves investigating and appraising internal controls and the efficiency with which the various units of the organization are performing their assigned functions. An Internal Auditor is normally interested in determining whether a department has a clear understanding of its assignment, is adequately staffed, maintains good records, properly safeguarding cash, inventory & other assets and cooperates harmoniously with other departments. The internal auditor normally reports to the top management.

Gupta (2011) on the other hand asserts that “Internal audit is an independent appraisal function established within an Organization to examine and evaluate its activities as a service to the organization”. The objective of internal audit is to assist members of the organization in the effective discharge of their responsibilities.

According to Gupta (2021) “the scope of internal audit is determined by management”. This may however, impair the internal auditor’s objectivity and hampers his independence, it is quite hard to report negatively on someone who determines the scope your work. Although at a Seminar organized by the Institute of Certified public

Accountants of Uganda (ICPAU), Sebbowa, 2021 in his presentation “The role of Internal Audit function in Organizations”, states that “Independence is established by organizational and reporting structure” and that “Objectivity is achieved by an appropriate mindset”.

Sebbowa, 2021 also defines “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”.

2.8. Research Gaps

Researcher discussed on this related topic like Madibbo (2021) An Assessed of the effectiveness of internal audit unit at public institution level in Adamawa State and Based on the above presentation, analyses and discussion of results, the paper come up with the following findings: All the sampled Public institutions in Adamawa State complied with the 2021 provisions of Civil service reforms that, each public institution in the country should have internal audit unit to provide a complete and continuous audit of the accounts and records of revenues and expenditures and ALI-Matari (2014) studies the Effect of the Internal Audit and Firm Performance: A Proposed Research Framework where he found that the internal audit department is very important inside a firm where the internal audit is regarded as the key element in the application of accounting systems and this in turn, helps in evaluating the work of the department but no researcher discussed on the role of internal audit to the performance of manufacturing companies in Rwanda , A case study of Bralirwa Company Plc

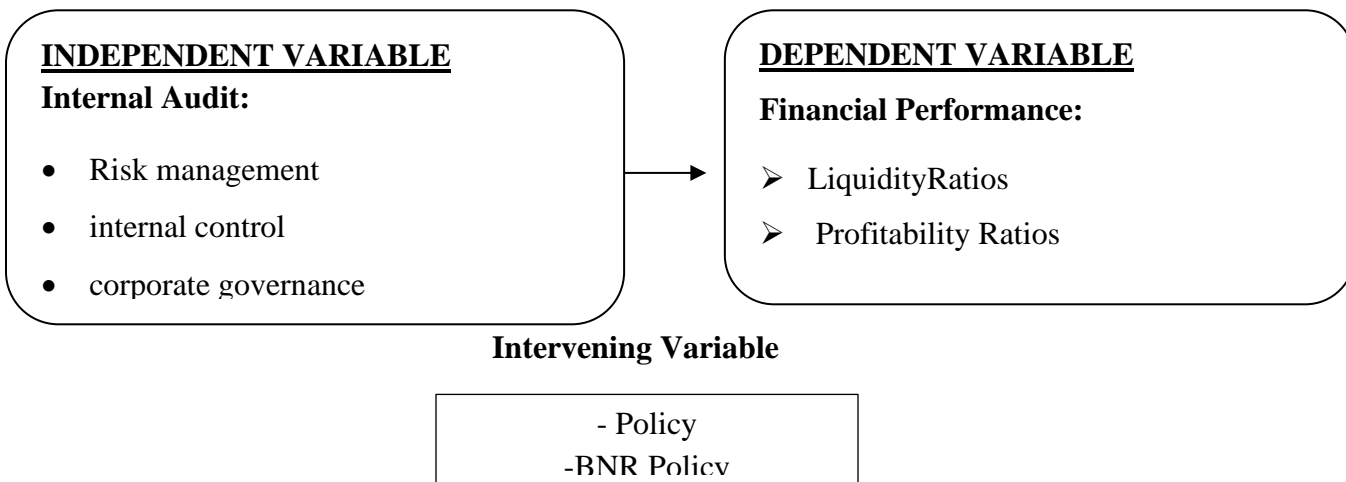
2.9. Conceptual Framework

Conceptual frameworks, according to educational researcher Smyth (2021), are structured from a set of broad ideas and theories that help a researcher to properly identify the problem they are looking at, frame their questions and find suitable literature. Most academic research uses a conceptual framework at the outset because it helps the researcher to clarify his research question and objectives. A conceptual framework is a research tool intended to assist a researcher to develop awareness and understanding of the situation under scrutiny and to communicate this.

When clearly articulated, a conceptual framework has potential usefulness as a tool to assist the research to make meaning of public findings. It forms part of the agenda for negotiation to be

scrutinized and tested, reviewed and reformed as a result of investigation (Afshin & Gholamreza, 2022).

Figure 2.1: Conceptual Framework



Source: Researcher design, 2024

CHAPTER THREE: RESEARCH METHODOLOGY

Introduction

This chapter was given a detailed presentation of tools and techniques that applied to investigate the research matters in this field. It included the area of study and study population. Methods and techniques were used in choosing the sample size and collection instruments like questionnaires, interview and documentation used. It further describes data processing analysis and problems that was encounter in the research study.

3.1. Research Design

According to (Grinnell, 2014) study design is the entire process of the study from problem formulation through dissemination findings.

This explorations research design refers to the framework for a study that guide the researcher to collect and analyze the data in order to ensure that the study be relevant have economical use of procedures. The research design is the plan and structure of investigation so conceived so as to obtain answers of the research questions. The plan is the overall program of the research and includes an outline of what the investigator was from writing the hypothesis and their operational implications for the final analysis of data. The essential of research design as an activity and time based plan, always based on the research questions, guides the selection of sources and types of information, a frame work for specifying the relationship among variables and outlines the procedure for every research activity (Muthee, 2020).

3.2. The Population of the study

Population is a group of individual, objects or items from which sample are taken (Kombo, 2016). In my research I use purposive sampling technique where i chose and picked only 30 respondents who can meet the purpose of the study, corresponding with 9 Auditors, 6 operation office Manager, 3 accountants and 12 marketing officer since the population is small thus 30 and less to a hundred, this research was consider the total population and ignores the sample size

3.2.1 Purposive Sampling Technique

Sampling technique was used by the researcher as the basic sampling technique where she selects a group of Bralirwa companies jects (a sample) for study from a larger group (population).

3.3. Source of Data Collection

In conducting the study, the required data was gathered from both primary and secondary data source.

3.3.1. Primary Data

The researcher was able to get original information from the respondents of internal audit in that structured questionnaires were developed by the researcher and control to the targeted respondents.

3.3.2. Secondary Data

The study relied on published documents based on BRALIRWA Plc, performance. This study also utilized text books, journals, researches reports and other literatures.

3.4. Data collections Techniques

Data collection is a crucial step in any research or analysis project.

3.4.1. Questionnaire Technique

According to Williams, (2020), A questionnaire is a research instrument consisting of a series of questions and other prompts for the purpose of gathering information from respondents; the questionnaires technique is used to collect information about the effect of internal audit and performance of Bralirwa company, 30 respondents was selected by giving them the questionnaires to respond.

The questionnaires was addressed to 30 employees of accounting and auditing departments of Bralirwa company in order to arise in them a free expression on the internal audit and performance of organization. This technique was given a clear understanding on how the internal audit was applied.

3.4.2 Documentary technique

Secondary data was mainly collected through review of various documents for the purpose of attaining sufficient and reliable information where the researcher analyses the audit reports, Bralirwa company annual reports, laws and regulations, procedures manuals in order to get real information on internal audit and performance of Bralirwa company.

3.5. Validity and Reliability tests

3.5.1 Validity

Validity is the extent to which a test measures what it is supposed to measure. The question of validity is raised in the context of the three points made above, the form of the test, the purpose of the test and the population for whom it is intended; (Cronbach, 2020). The validity of instruments was used to test validity of the instruments to be used. This included the item analysis that is carried out with the aid of the supervisor, research experts knowledgeable about the themes of the study. The process involved in examining and assessing each item in each of the instruments to establish whether the item brings out what it is expected to do.

3.5.2 Reliability tests

Reliability demonstrates that the operations of the study such as the data collection procedures can be repeated and reach to equal result. The researcher that repeats the exact same procedure and research as described by an earlier researcher should arrive at the same result and draw the same conclusions with the same techniques. The researcher carried out an experimental study by testing questionnaires to at least 30 members from the respondents.

3.6. Data processing analysis

As said by Roth (2021); processing data is concerned with classifying responses into meaning categories called codes. Data processing refers to the transformation of the respondents' views into meaning form. Data was processed and relevant data to the objectives of the study that is considered and transformed into meaningful information for interpretation and understanding. This process consists of editing, coding and tabulation.

3.6.1. Editing

According to Cochran (2021); editing is the process whereby the completed questionnaires and interview scheduled was analyzed in the hope of amending/ recording errors, or at least deleting data that are obviously erroneous. Editing was used in order to check completeness, accuracy, uniformity, eligibility and comprehensibility. Editing was used as a routine task after every response.

3.6.2. Coding

According to Kalton (2021); defined coding as classifying answers into meaning categories so as to come out with their responses, in this study coding applied for classify the data aimed at easy manipulation, interview and receiving questions.

3.6.3. Tabulation

According to Nachmias (2006); tabulation is putting the data into some kind of statistical tables such as percentage and frequency occurrence of responses to particular questions. According to Baily (2008); not all data can be presented in their entirety. The variables to be presented are those central to the goals of the study. She defines data analysis variables records in order to obtain quantitative data about the past. The edited and coded data was transferred into tables constructed basing mainly on the variables considered under the study.

3.7. Methods of data analysis

Method was define as a set of organized concepts rules and intellectual operations that help to make analysis in order to achieve the result for this study to be done in clarity.

3.7.1. Analytical method

It is particularly useful to develop a critical typology of financial analysis. It is at the health of models development analysis; (Grawitz, 2001). Therefore, the analytical method was used to analyze data collected and other information pertaining to the researcher.

3.7.1.2. Historical method

The historical method “refer to a study of event, process, and institutions of past civilizations for the purpose of finding the origins or antecedents of contemporary social life and thus understanding its natural and working” (Shankar, 2020). This method consists of the review and analysis of previous books, journals, annual reports and other academic dissertations related to the research topic. This method permits a better understanding and interpretation of facts related to the research topic. This method was helped the researchers to get a better understanding of the background of BRALIRWA Company.

3.7.1.3. Synthetic method

According to Grawitz (2022), it was synthesized that is to say globalized information and data into a coherent whole. This method allows the researcher to synthesize the information gathered from different sources. It helps the researcher to summarize the data collected during the research process.

3.8. Ethical considerations

Research ethics is about the responsibility of researcher for being honest and respectful to all individuals who may be affected by the research study results.

The primary data was collected from field and only was used for academic purpose. Besides, as effective book keeping is considered as a competitive edge by various institutions, the secondary information gathered was sensitive. In data processing and analysis, there was no data manipulation and the interpretation was impartially in order to reflect to the reality. The information provided in this research was kept confidential and a result of research was used for the objective of this research study as mentioned in introduction.

3.9. Limitation

During the whole course of the research and especially in the period of collecting and analyzing data, the following problems were encountered in doing an effective job. The first constraints was that, some of the respondents did not want to answer some questions because, they were suspicious of the study but later on, this was clearly explained and were convinced that the study was for academic purpose only.

It is very limiting particularly with respect to generalization of result because the sample is purposive. In exploratory study like this one, it is hope that it would generate enough information that would serve as a basis for a more rigorous academic research in the future.

CHAPTER FOUR: DATA ANALYSIS, PRESENTATION AND INTERPRETATION

Introduction

The chapter captures the presentations of data collected in this research study analyses it and gives interpretation. It depicts the findings which seek to answer the research questions against the background of the different objectives with analyze the contribution of internal audit on financial performance of financial institutions.

4.1 Background of BRALIRWA Industry Ltd

Founded in 1957, BRALIRWA Ltd is a Rwandan company producing and selling beers and soft drinks. Since 1971, BRALIRWA Ltd is part of the internationally renowned Heineken Company which currently holds 75% of BRALIRWA Ltd shares while the 25% remaining shares are held by independent shareholders. BRALIRWA Ltd shares are listed on Rwandan stock exchange since January 31, 2011. The company beer portfolio includes primus, Mutzig, Amstel and turbo king produced in our Gisenyi brewery and the Heineken beer which is reported. Since 1974 the company holds the license of the Coca-Cola company to produce and distribute their brands, BRALIRWA Ltd produces the Coca-Cola portfolio: Coca-Cola, Fanta orange, Fanta citron, Fanta fiesta, sprite, krest tonic and the company's own brand vital'O.

4.2. Identification of respondents

The background information of respondents was deemed necessary because the ability of the respondents to give satisfactory information on the study variables greatly depends on their background. The background information of respondents solicited data on the samples and this has been presented below categorized into; gender, education levels, age group, experience and position.

4.2.2. Education level of respondents

The education of respondents was also taken into account for more analysis as it would help to get reliable information based on the knowledge of respondents as far as the topic is concerned.

Table4. 1: Identification of respondent according to their education level

Qualification	Frequency	Percentage
Master's degree	10	33.3
Bachelor's degree	15	50.0
Diploma	5	16.7
Total	30	100.0

Source: Primary data, 2024

This table shows the education level of respondents, 50% of respondent had undergraduate, 16.7% of respondent finished their secondary only and 33.3% of the respondents are postgraduates. This means that BRALIRWA PLC have got basic academic qualifications that can facilitate them to achieve its goals properly adhere to procedures and policies of the authority due its high numbers of employees who have good qualifications.

Table4. 2: Distribution of respondent according to their Experience

Experience	Frequency	Percent
3 years	7	23.3
4years	9	30.0
More than 5 years	14	46.7
Total	30	100.0

Source: Primary data,2024

The large number of experienced people constituted 46.7% of sample size more than 5 years. That indicated that among respondents, those who work for more than five years know the situation of internal auditing in the BRALIRWA PLC. 30% of the respondents have worked for four years means that four years working in a company is enough for an employee to know the activities of the company.

4.3. Respondents' views on the effectiveness of internal audit of BRALIRWA PLC

Table 4.2: Internal audit characteristics in Manufacturing of Bralirwa

What are internal audit characteristics in BRALIRWA PLCPlc/Main branch	Mean	S.D.
Independent	4.41	0.49
Objectivity	4.34	0.65
Competence	4.26	0.60
Average Mean	4.34	0.48

Source: Primary data, 2024

The table above shows that ranges between 4.41 and 0.49 with standard deviation ranges said that internal audit are independent from 4.34 and 0.65 with standard deviation said that the internal audit is characterized by objectivity, range between 4.26 and 0.60 with standard deviation argued that the internal is competence. From these findings it is revealed that the internal audit is effective and reliable based on the characteristics above.

4.3.1. Preventing and detecting frauds

The main objective of internal audit is preventing and detecting frauds and errors within the organization. The table below summarizes the views of respondents about the plan for preventing and detecting frauds within Bralirwa Plc

Table 4.3: Views of respondents on plan for preventing and detecting frauds.

Preventing and detecting frauds	Mean	SD
Applicable	2.49	1.48
Not applicable	2.52	1.15
Aggregate to mean	2.50	1.84

Source: Primary data, 2024

The table above shows that that ranges between 2.49 and 1.48 with standard deviation ranges said agree that the contribution of internal audit plan aim is attained through preventing and detecting frauds and error from 2.52 and 1.15 with standard deviation say that the plan is not

applicable, the responsibility of the prevention and early detection of errors and frauds, rest with the management through the implementation and continued operation of an adequate system of internal control.

Table 4.4: Types of Errors and Frauds detected by the auditors

Items	Mean	S.D.
Error of omission	4.41	0.49
Compensations errors	4.34	0.65
errors of principle	4.26	0.60
clerical errors	4.34	0.48
Embezzlement	4.38	0.49
Average Mean	4.35	0.09

Source: Primary data, 2024

Basing on table4.4, during 2020 to 2023 internal audit of Bralirwa plc identify the following errors: errors of omission with 4.41 mean and 0.49standard deviation, 4.34mean with 0.65 standard deviation mean errors of principle, 4.26 mean and 0.60 compensating errors, 4.34mean with0.48 standard deviation, clerical errors and 4.38 mean with standard deviation 0.49 are embezzlement. These findings allowed the researchers to say that the accountant of Bralirwa plc was not qualified of preparing the financial statement fairly .But, the auditor contributed in collecting those errors.

4.3.2. Internal audit principles in BRALIRWA PLC

The researcher wants to know the principles of internal audit in BRALIRWA PLC.

Table 4.5: Objectivity of internal audit principles in BRALIRWA PLC

Does Internal auditor are objectivity principles in BRALIRWA PLC PLC?	Mean	S.D.
Agree	4.02	0.13
Strongly Agree	3.09	0.34
Disagree	4.08	0.28
Average Mean	4.01	0.19

Source: Primary Data, 2024

According to the table 4.5.show 4.02 mean with 0.13 standard deviation the respondents agreed that the internal audit of BRALIRWA PLC is objectivity, 3.09 mean with 0.34 std the respondents are strongly agreed that the internal audit are objectivity in BRALIRWA PLC while 4.08mean with standard deviation of 0.28std . The qualitative data revealed that the internal auditor in BRALIRWA PLC is inspired by secondary data to provide the evidence that the internal audit in this Manufacturing is carried out in accordance with career principles.

Table4. 6: Confidentiality of internal audit principles BRALIRWA PLC

Does Internal auditor are confidentiality Principles in BRALIRWA PLCGROUP PLC?	Mean	S.D.
Agree	4.02	0.13
Strongly Agree	3.09	0.34
Disagree	4.08	0.28
Average Mean	4.01	0.19

Source: Primary Data, 2024

The table 4.6 shows that 4.02 mean with 0.13 standard deviation of respondents are strongly agreed that the internal audit of BRALIRWA PLC are confidentiality, 3.09 mean with 0.34 std of respondents are agreed that internal audit of BRALIRWA PLCare confidentiality while 4.08mean with standard deviation of 0.28std of respondents are disagree. The qualitative data revealed that the internal auditor in this Manufacturing should not disclosure any confidential information acquired without specific authority or unless there is a legal or professional duty to disclosure

Table 4.7: Full disclosure of internal audit principles BRALIRWA PLC

Does Internal auditor are Full disclosure Principles in BRALIRWA PLCGROUP PLC?	Mean	S.D.
Agree	4.94	0.23
Strongly Agree	4.38	0.49
Disagree	4.30	0.68
Average	4.47	0.15

Source: Primary Data, 2024

The table 4.7 shows that the mean was 4.94 and standard deviation was 0.23 of respondents are agreed that BRALIRWA PLC use internal audit as full disclosure. Mean 4.38 and standard deviation was 0.49 say strongly agreed and The qualitative data revealed that the client should provide to the internal auditor in BRALIRWA PL Call possible evidence explanations and records to allow him to make full disclosure of their findings.

Table 4.8: Materiality of Internal audit principles BRALIRWA PLC

Does Internal auditor are Principles in BRALIRWA PLC?	Materiality	Mean	S.D.
Agree		4.02	0.11
Strongly Agree		3.09	0.21
Disagree		4.08	0.25
Average mean		3.73	0.19

Source: Primary Data, 2024

The table 4.8 shows that 4.02 mean and 0.11 std of respondents are strongly agreed, 3.09 Means and 0.21 Std was agreed that internal audit of BRALIRWA PLC is materiality 4.08 means and 0.25 Std of respondents are disagree that internal audit of BRALIRWA PLC are materiality. For them, the internal auditor in BRALIRWA PLC must pay attention to all items in the Manufacturing, which are materially important especially where the risk of error, fraud, is relatively.

4.4. Contribution of Internal Audit to the performance of Bralirwa plc

This section analysis the indicator of performance as well as revenue, net result and profitability ratio during the covered period of the study, Bralirwa Plc provides financial reports after a given period of time, but the time covered the report depend upon the necessity of the report, the company providing different types of financial reports those including income statements are the elements using analysis of secondary data.

4.4.1 Trend of revenue of Bralirwa Plc

The revenue is the stock of goods sold and restocked during a given period of time, revenue is sometimes a synonym of turnover (or in certain contexts, sales), is also services sold by company during a particular period of time.

Turnover is sometimes the name for a measure of how quickly company is sold (company turnover). High revenue means that goods are sold quickly, while low revenue means that goods are sold more slowly.

Table4.9.Trend of sales (revenue)

Account	2020 rwf (000)	2021 rwf (000)	2022 Rwf (000)	2023 Rwf (000)
Revenue	100,520,707	123,596,476	157,656,425	183,681,849
Variation	-	23,075,769	34,059,949	26,025,424

Source: Financial report of BRALIRWA LTD (2020-2023)

Through the data collected to the Bralirwa Plc, the increase of revenue in 2021 the return over was 23,075,769, in 2022 was 34,059,949 and in 2023 was 26,025,424. This evolution result too many factors as well motivated human resources and the quality of services and products offers to the customers. This is truth because when customers are satisfied by the products delivered; this will have the positive impact to the number of customers of the company and buying level.

4.4.2 The net profits

Net profit of a company is the profit after operating expenses and all other charges including taxes, interest and depreciation have been deducted from total revenue.

Table 4.10: Net profit variation in Bralirwa Plc (Frw)

Year	net profit frw 000	Variation	percentage in %
2020	9,005,204	-	-
2021	17,524,715	8,519,511	94.6
2022	22,5,,991	5,020,276	28.6
2023	29,518,364	6,973,373	30.9

Source: Bralirwa Plc annual report, 2020-2023

In the table 4.10, researcher revealed that from 2020 to 2023 Bralirwa Plc knew an increase in net profit, as 94.6% in 2021, 28.6% in 2022 and 30.9% in 2023. This shows that Bralirwa Plc incurred a low expenses within the given period compared to revenues received, Bralirwa Plc should focus on minimizing expenses which affects profit as the results indicate that there is decrease on profit during the period of the study.

4.4.3 Net Profit Margin

Net margin ratio is a profitability ratio that compares the net margin of a business to the net sales. This ratio measures how profitable a company sells its inventory or merchandise. In other words, the Net profit ratio is essentially the percentage markup on merchandise from its cost.

Table 4.11: Net Profit Margin (Frw 000)

Year	Net income	Revenue	Net Profit Margin Ratio
2020	9,005,204	100,520,707	8.9
2021	17,524,715	123,596,476	14.1
2022	22,5,,991	157,656,425	14.3
2023	29,518,364	183,681,849	16.1

Source: Bralirwa Plc annual report, 2020-2023

The table 4.11 shows that net profit margin ratio from 2020 up to 2023. The ratio are 8.9%, 14.1%, 14.3% and 16.1% respectively. This means that in 2020 for 100rwf of sales has got 8.9 Rwf, in 2021 for 100 Rwf of sales has got 14.1Rwf. in 2022 for 100 Rwf of sales had got 14.3 and in 2023 for 100 Rwf of sales had got 16.1

4.4.4 Return on Assets

The return on assets ratio, often called the return on total assets, is a profitability ratio that measures the net income produced by total assets during a period by comparing net income to the average total assets. In other words, the return on assets ratio or ROA measures how efficiently a company can manage its assets to produce profits during a period.

Table 4.12: Return on Assets (Frw 000)

Year	Net Income	Total Asset	ROA
2020	9,005,204	127,270,756	7.1
2021	17,524,715	116,407,878	15
2022	22,5,,991	155,989,056	11.7
2023	29,518,364	191,930,852	18.9

Source: Bralirwa Plc, Annual report, 2020-2023

The table 4.12 shows the return on assets ratio during the covered period. From 2020 up to 2023 the ratio are 7.1%, 15%, 18.9% and 11.7% respectively. This means that, in 2020 for 100 Rwf of invested it has got 7.1Rwf, in 2021 the Bralirwa Plc has got 15 Rwf from 100 Rwf invested, in 2022 was 18.9Rwf in 2023 was 11.7Rwf and. The above result shows that Bralirwa Plc is profitable during the covered period.

4.4.4. Current ratio

The current ratio is a financial ratio that measures whether or not a firm has enough resources to pay its debts over the next 12 months. It compares a firm's current assets to its current liabilities. It is expressed as follows:

$$\text{Current Ratio} = \frac{\text{current asset}}{\text{Current Liabilities}}$$

This ratio helped us to know BRALIRWA PLC ability to meet its current liabilities with its current assets. As conventional rule, a current ratio or more is considered satisfactory

Table 4.13: current ratios (in 000 Rwf)

Year ended December 31	2020	2021	2022	2023
Current assets (A)	38,010,667	29,289,746	51,779,707	69,852,199
Current liabilities(B)	68,876,873	51,739,562	77,427,205	104,377,279
Current ratio (A/B)	0.5	0.1	0.6	0.6

Source: financial statement of BRALIRWA PLC (2020-2023)

According to the table current ratios of BRALIRWA PLC, calculated showed that was good from 2020 to 2023 because it was more satisfactory during this year in addition BRALIRWA PLC was able to meet its short obligations by using its current assets. From 2020 to 2023,

BRALIRWA PLC current ratio was able to meet its short term obligations by using its current assets. When i try to compare year to year change of the current ratios as generated by BRALIRWA PLC, it is remarkable that there is a deep increase of current ratio from 2020 up to 2023 because of the following reasons as observed on the financial statement provided. BRALIRWA PLC was performance from 2020 to 2023. Many factors have led to this profitability but the main ones being the quality of internal control.

$$\text{Quaky Ratio} = \frac{\text{Net profit}}{\text{Net operatinf income}}$$

Table 4.14: Quick ratio (amount in Rwf)

Year	2020	2021	2022	2023
Net Profit	9,005,204	17,524,715	22,5,,991	29,518,364
Net operating income	19,825,981	31,213,000	42,171,072	54,498,355
Quiky Ratio	45.4%	56.1%	53.4%	54.1%

Source: financial statement of BRALIRWA PLC (2020-2023)

I have just calculated the quiky ratio of BRALIRWA PLC for years, 2020 2021,2022and 2023 it was respectively 45.4% , 56.1% ; 53.4%and 54.1%. Researcher noticed that underwent a progress followed by a regression was caused by several factors such, the transformation of BRALIRWA PLC This has obliged it to put in place infrastructures and equipment in order to be to the required standards of any commercial Industries.

4.4.5 Return on Equity

The return on equity ratio or ROE is a profitability ratio that measures the ability of a firm to generate profits from its shareholders investments in the company. In other words, the return on equity ratio shows how much profit each dollar of common stockholders' equity generates.

Table 4.15: Return on Equity (Frw 000)

Year	Net Income	Total Equity	ROE
2020	9,005,204	42,587,536	21.1
2021	17,524,715	51,112,263	34.2
2022	22,5,,991	56,140,707	40.1
2023	29,518,364	63,123,102	46.7

Source: Bralirwa Plc annual report, 2020-2023

The table 4.15 shows the return on equity ratio is most important of the entire financial ratio to investors in the company. It measures the return on the money that the investors have put into the company. This is the ratio potential investors look at when deciding whether or not to invest in the company. From 2020 up to 2023 the ratio of return on equity are the following 21.1;34.2;40.1; and 46.7 respectively. This means that in 2020 for 100 Rwf investors has put into the business was bring 21.1Rwf and in 2021 the investors has got 34.2 Rwf from 100 Rwf, in 2022 was 40.1Rwfan and in 2023 was 46.7 Rwf.

Table 4.16. Correlation between Internal Audit and financial performance

			Internal Audit	performance
Spearman's rho	Internal Audit system	Correlation coefficient	.1.000	.708
		Sig. (2 tailed)		.000
		N	30	30
		Correlation coefficient	.708*	1.000
		Sig. (2 tailed)	.000	
	Financial performance	N	30	30
* Correlation is significant at the 0.015 level (2-tailed)				

The significant Spearman correlation coefficient value of 0.708 confirms what was apparent from the table; there appears to be a strong positive correlation between the two variables. However, we need to perform a significance test to decide whether based upon this sample there is any or no evidence to suggest that linear correlation is present in the population. Therefore, alternative hypothesis which says that there is significant relationship between Internal Audit system and financial performance is accepted and verifies. This table above shows that the both variables Internal Audit system and financial performance are strongly correlated and i confirm my hypothesis as accepted.

GENERAL CONCLUSION

The general objective of the study is to examine the effect of internal audit on performance of manufacturing companies in Rwanda. The Specific objectives are:

- ✓ To examine the effectiveness of internal audit in BralirwaPlc.
- ✓ To assess the relationship between internal auditing and Financial performance

For achieving the above objective, the researcher has tried to answer the following questions which helped a researcher to test the hypothesis:

- ✓ Is Internal audit in Bralirwa effective?
- ✓ Does internal audit contribute to the financial performance of Bralirwa Plc?

In order to respond to those statement problems, the researchers will formulate the following hypothesis:

1. Internal audit in Bralirwa Plc is effective.
2. Internal audit of Bralirwa Plc. contributes to its financial performance The research was classified the into following four chapters:

The first chapter is background of the study and the second chapter was literature review which presents a full description the research topic related terms and concepts.

The third chapter presents research methodology which contains research design; Data Collection Methods; Validity and reliability tests, Data processing; Data analysis; Limitation of the study and Ethical considerations.

The fourth chapter verified both hypothesis where This chapter presents the results obtained from the research where the data was analyzed and interpreted Frequencies and percentages are used to make it easier for the reader to understand.

The effectiveness of internal control system in BRALIRWA PLC

The research findings of this thesis are a chapter that presents and analyses the data in relation to the research objectives of the study. The findings are discussed and interpreted based on the

research questions and the main purpose of the study is to assess the effectiveness of internal control system in BRALIRWA PLC. The researchers focused to , employees of BRALIRWA PLC especially in finance, inspection and internal audit.

The table shows that 100% of the respondents agree that they like to have their manufacturing audited. All supported their answers by mentioning that through auditing, ones knows the financial status of Industries. Other said that the auditing leads to signified that having financial institution's audited, Industries performance is achieved

The table 4.2 shows that ranges between 4.41 and 0.49 with standard deviation ranges said that internal audit are independent from 4.34 and 0.65 with standard deviation said that the internal audit is characterized by objectivity, range between 4.26 and 0.60 with standard deviation argued that the internal is competence. From these findings it is revealed that the internal audit is effective and reliable based on the characteristics, The main objective of internal audit is preventing and detecting frauds and errors within the organization.

During 2020 to 2023 internal audit of Bralirwa plc identify the following errors: errors of omission with 4.41 mean and 0.49 standard deviation, 4.34 mean with 0.65 standard deviation mean errors of principle, 4.26 mean and 0.60 compensating errors, 4.34 mean with 0.48 standard deviation, clerical errors and 4.38 mean with standard deviation 0.49 are embezzlement. These findings allowed the researcher to say that the accountant of Bralirwa plc was not qualified of preparing the financial statement fairly .But, the auditor contributed in collecting those errors.

Through the data collected to the Bralirwa Plc, the increase of revenue in 2021 the return over was 23,075,769, in 2022 was 34,059,949 and in 2023 was 26,025,424 This evolution result too many factors as well motivated human resources and the quality of services and products offers to the customers. According to the table current ratios of BRALIRWA PLC, calculated showed that was good from 2020 to 2023 because it was more satisfactory during this year in addition BRALIRWA PLC was able to meet its short obligations by using its current assets. From 2020 to 2023, BRALIRWA PLC current ratio was able to meet its short term obligations by using its current assets. from the table; there appears to be a strong positive correlation between the two

variables. However, we need to perform a significance test to decide whether based upon this sample there is any or no evidence to suggest that linear correlation is present in the population.

Therefore, alternative hypothesis which says that there is significant relationship between internal control system and financial performance is accepted and verifies. This table above shows that the both variables internal control system and financial performance are strongly correlated and i confirm my hypothesis as accepted

SUGGESTIONS

In general the suggestions given are as follows:

Suggestions for Bralirwa Plc

From this point of view that the following recommendations are provided in order to design and install a strong system of internal auditors:

- ✓ Bralirwa Plc has to increase the number of employees in internal audit department because internal auditors encounter heavy workload while reviewing the internal control system and supervising its efficient implementation,
- ✓ The management of Bralirwa Plc. has to increase the number of times employees are rotated from their functions in order to reduce the possibility of frauds, especially in operations,
- ✓ Internal auditors' opinions should be taken into consideration while making management decisions, since these opinions highlight weaknesses found in companies and suggest solutions.

RECOMMENDATIONS FOR FURTHER RESEARCH

The major shortcoming of this research is that, because of time and financial constraints; it focused on one manufacturing companies, which is the Bralirwa Plc

Therefore, other research studies should take the totality of Manufacturing company in Rwanda in order to come up with exhaustive information in this regard.

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APPENDICES

QUESTIONNAIRES

Dear respondent

I'm student at Kigali Independent University (ULK) school of Economics and business Studies, Department of Accounting. In case of my work to end the academic studies, researcher is proposing to carry out the study about “**Internal Audit and performance of manufacturing companies** from 2020-2023. The researcher ensure that your point to views will be uniquely used for this academic purpose. This is the reason why i beg you to respond all question as honestly as possible and to supply for the right information about this topic by having willingness to answer at the following questions.

Instruction

Make a tick(v) in the appropriate block in response to each question.

SECTION A: THE RESPONDENTS INFORMATION

1. Gender of the respondents

Male

Female

2. Age of the respondents

20-30 years old

31-40 years old

41-50 years old

50 and above

3. Marital status of the respondents

Single

Married

Widowed/ Widow

4. Education level of the respondents

Primary education	<input type="text"/>
Secondary education	<input type="text"/>
Undergraduate	<input type="text"/>
Masters	<input type="text"/>

5. Occupation of the respondents

Self-employed	<input type="text"/>
Civil servant	<input type="text"/>
Other professional	<input type="text"/>
Others	<input type="text"/>

SECTION B: Question on effectiveness of internal audit of Bralirwa Plc

Instruction: complete the following questionnaire on scale: 1= Strong Disagree, 2= Disagree, 3=Neutral, 4=Agree, 5=Strong Agree

1.How do you agree with the following regarding the internal audit application in Bralirwa Plc?

	Items	5	4	3	2	1
1	Internal audit is sufficiently staffed					
2	Internal audit staff conduct regular audit activities					
3	Internal audit report address weaknesses in Internal Auditsystem					
4	Internal auditors are autonomous and independent of management					

2. Main purpose of internal audit in BRALIRWA PLC.

	Items	5	4	3	2	1
1	To detect errors and frauds					
2	To strengthen the internal control					
3	To advice to the management of the organization					
4	To ensure compliance with the organization					
5	To control and improve the management					
6	Risk management					

Understanding of internal audit within BRALIRWA PLC

	Items	5	4	3	2	1
2	Function of monitoring and verification					
2	Unit in charge of supervision and similar to policeman					
3	Body of prevention, detection of fraud and errors correction					

Image of internal auditors to the audited employees within BRALIRWA PLC

	Items	5	4	3	2	1
1	Partner or consultants of all managerial levels within BRALIRWA PLC					
2	Helper of top management in decision making					
3	Policemen					
4	Spy for managers					

Objectives of internal auditing department within BRALIRWA PLC

	Items	5	4	3	2	1
1	Finding out whether the Bralirwa Plc is complying with the relevant laws and regulation					
2	Safeguarding the assets of BRALIRWA PLC against misappropriation or theft					
3	To find out whether financial and operating information is accurate and reliable					
4	Resources are used economically and efficiently					

The types of errors and fraud prevent by Bralirwa Plc

	Items	1	2	3	4	5
1	errors of principle					
2	errors of omission					
3	compensating errors					
4	clerical errors					

Characteristics of effectiveness of internal audit in Bralirwa Plc?

	internal audit characteristics	5	4	3	2	1
1	Independent					
2	Objectivity					
3	Competence					

c. Question on Impact of internal Audit on performance of Bralirwa Plc.

Very high (5), High (4), Moderate (3), Little (2), Not at all (1

Performance

	items	5	4	3	2	1
	Return on assets					
	Return on investments					
	Level of profit					
	Liquidity					

Thank you!