MAKERERE UNIVERSITY

Evaluating auditor expert performance in fraud detection: A case of Bank of Uganda (BOU)

BY

Charles Ndyabahika
2011/HD06/3169U

SUPERVISOR
DR. KAMUKAMA NIXON

A RESEARCH REPORT SUBMITTED TO MAKERERE UNIVERSITY IN PARTIAL FULFILLMENT OF THE ACADEMIC REQUIREMENT FOR THE AWARD OF A MASTERS DEGREE IN BUSINESS ADMINISTRATION (MBA)

PLAN B

JULY, 2013

Abstract

Fraud is a pervasive risk of doing business. Organisations are responding to fraud risk by employing fraud risk management strategies. The internal audit function is a corporate control mechanism available to management to address fraud risk.

Despite the existence of an independent internal audit function in BOU coupled with Management's response to fraud risk by employing increased fraud risk management strategies, fraud perpetrators have continued to circumvent the controls causing financial loss to Government. For example Whereas the guidelines require that payments done in BOU be confirmed before effecting payments, transfers amounting to Shs.10,928,904,304 were undertaken without the requisite confirmations(Auditor General's special investigation report on the allegations of financial impropriety in the office of the prime minister, 2012). Globally, typical organisations lose 5% of their revenues to occupational fraud each year. Applied to the 2011 gross world product, this translated into potential projected annual fraud loss of more than $3.5 trillion. (ACFE report to the Nations 2012).

It is against this background that the researcher was prompted to carry out the study with the following objectives; i)To assess the current fraud detection capabilities of individual auditors in Bank of Uganda, ii) To identify possible factors causing fraud in Bank of Uganda, iii) To identify strategies for enhancing Fraud Risk Management in Bank of Uganda.

This study used a cross sectional research design and captured the perceptions of eighty three (83) Bank of Uganda staff comprising of twenty two (22) internal auditors, seven (7) top management staff, ten (10) middle level Management staff and forty four (44) BOU officers.

The study results identified that continuous learning, analytical reasoning, practical experience; professional certification, Data analysis skills, effective communication, team work, and an effective control environment have a positive impact on the individual auditor's fraud detection capabilities. These results are reflective of fraud detection as an unstructured task with an impoverished learning environment.

Therefore, a unique combination of the above factors/determinants is recommended for auditors to address the pervasive risk of fraud. It is further recommended that BOU should institute effective internal controls, carry out regular fraud risk assessments, conduct detailed due diligence for both new and existing staff and punish violations of the ethical code of conduct.