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INTERNAL AUDIT PRACTICES AND FINANCIAL PERFORMANCE IN COMMERCIAL BANK IN RWANDA: A CASE OF EQUITY BANK RWANDA PLC

UWIDUHAYE Marie Louise
Email : uwamalou50@gmail.com
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Corresponding author: Dr. AKUMUNTU Joseph

ABSTRACT

This work titled "Internal audit practices and financial performance in commercial bank in Rwanda, Case of Equity Bank Rwanda Plc)" Despite central bank of Rwanda providing prudential guidelines to guide commercial banks manage and improve their return on assets but some commercial banks have experienced liquidity risks making them unable to raise sufficient funds to fulfill their obligations resulting to statutory receivership (BNR, 2019). The banks continue to struggle with liquidity problems, profitability, accountability, frauds and misuse of institutional resources and the decisions made have not yielded the expected result (Audit General, 2017). The researcher still feels that there are still gaps which need to be addressed to see whether financial performance of Equity Bank Rwanda Plc is based on internal audit. The study was guided by the following specific objectives: To examine the contribution of risk assessment on financial performance of Equity Bank Rwanda Plc ; to investigate the contribution of minimization of errors and fraud on financial performance of Equity Bank Rwanda Plc and to find out the contribution of audit reporting practices on financial performance of Equity Bank Rwanda Plc. Questionnaire was used to collect data Furthermore descriptive statistics and spearman correlation were used to analysis data. This research covers 122 employees of Equity Bank Rwanda Plc. The results revealed that risk assessment has significance positive contribution on performance of Equity Bank Rwanda Plc as indicated by $\beta 1= 0.263$, p-value=0.000<0.05, t= 5.445 which implies that an increase of one unit in risk assessment would lead to an increase in performance of Equity Bank Rwanda Plc by 0.263 units. The results revealed that minimization of errors and fraud has significance positive contribution on performance of Equity Bank Rwanda Plc as indicated by $\beta 2= 0.389$, p-value=0.000<0.05, t= 10.015 which means that an increase of one unit in minimization of errors and fraud would lead to an increase in performance of Equity Bank Rwanda Plc by 0.389 units. The results revealed that audit reporting practices has significance positive contribution on performance of Equity Bank Rwanda Plc as indicated by $\beta 3= 0.141$, p-value=0.005<0.05, t= 10.015 which implies that an increase of one unit in audit reporting practices would lead to an increase in performance of Equity Bank Rwanda Plc by 0.141 units. Therefore, the study concluded that the variation of 60.9% in performance of Equity Bank Rwanda Plc was due to changes in internal audit practices which implies that the four independent variables (risk assessment; minimization of errors and fraud and audit reporting practices) as represented by R2. This is because; respondents said that proper application of internal audit function can help the corporation to achieve its objective, help in the detection of fraud, help in minimizing costs, help employees to perform their assigned tasks both effectively and effectiveness all of which improve on the financial performance of the corporation. The study also recommends that Management should establish and implement periodic review of internal audit performance to ensure that its performance and value to the Institution is maximized and to ensure compliance with appropriate standards and guidance.

Key words*: Internal audit practices and financial performance, commercial bank*

1. INTRODUCTION

The association for Internal Auditors, (2016) describes the internal auditing to be an autonomous and objective oriented exercise which is intended to detect errors and increased the confidence that can be bestowed on the company information by the insiders and outsiders and in the process enhancing firm's performance. The practice received increasing demand from firms all over the world because of the need to institute an independent verification while trying to minimize errors in bookkeeping, reduce misappropriation of company assets and business frauds (Institute of Internal Auditors, 2003). Several large firms across the globe have appreciated that, it is not possible to run business without being audited which has now been made as the central part of every organization.

Globally, in Malaysia a study was conducted by Ahmad, Othman, Othman and Jusoff (2009) on internal audit in public sector organization. It was stated that Malaysian government employs two types of audits. First is the external audit in which the responsibility rested with the auditor's general office and internal audits which are meant to ensure that, public organizations, strengthens their control and safeguard the assets of their organizations. The internal audit precedes external auditing. And as such for the last number of years the office of auditor general has been advocating for the institution of an operative internal audits to make sure independent assessment roles exist in each and every public organization which goes hand in hand to assist controlling officers to discharge their roles as anticipated and provided for. The internal audit is required to prepare reports which are submitted to the controlling office and also made available to public for scrutiny.

In many African countries for example in Nigeria, Ejoh and Ejom (2014) conducted a research Nigeria to assess the linkage that existed between internal audits and financial performances in tertiary institution. It was discovered that, there was an inadequacy of internal audit staffs and that they do not execute their role with independence as they were influenced by top management who were the initiators of all the activities in the institutions. The study additionally realized that internal audits did not have a strong influence on the performance of these tertiary colleges in Nigeria. In a different study in Nigeria by Ejoh and Ejom (2014) it was established that the institutions strictly adhere to budgetary control rule and procedure provided for in the annual budget for the departments and that the control are instituted to eliminate paying for expenses that is beyond the allocated funds. Additionally, the study findings established that a noteworthy relationship was established that internal control activities had on financial performance.

In Tanzania, a study was performed by Lyambiko (2015) on operational risk and the financial performance in commercial banks in Tanzania. The research sought to establish the impact of operational risk on study dependent variable. The research found out that the relationship between insolvency risks, credit risk and operation efficiency varied with the level of financial performance. Operational risk management and insolvency risk led to higher performance in financial terms for the banks while credit risk was negatively correlated to the banks' performances.

In Rwanda, accounting standards and legal regulations require from the companies and organizations to present their current financial condition in a most possible objective way. Hence the process of publishing the annual financial results and reports is affecting a full range of requirements and conditions concerning the accounting and financial state, as well as the process of disclosure or publication of data of the prescribed company or organization. The main goal of the mentioned requirements is actually focused to create certain assumptions about moral and open financial reporting of numerous investors (Igonanga, 2016).

In this context, in order to emphasize the importance of the function of the financial audit, it should be mentioned that a real possibility of discrepancy of interests of management within the banks that have a decisive impact on making the annual financial statements is always present, for instance, the interests of entrepreneurs, investors, whose property value thus may be exposed to losses. Taking into account the role of commercial banks in the overall national economy of Rwanda, in this case, the importance of functioning for a financial audit in the process of insurance and providing confidence within the mechanism of the capital market is significantly prominent and obvious as well as the state included in this mechanism as a regulator and controller of the mechanism.

A scant literature exists on the effect of internal audit practices on financial performance of commercial banks in Rwanda. The studies accessed concentrated themselves on the factors determining performance of SACCOs while others correlated corporate governance and performance of SACCOs. Knowledge on internal audit practices and financial performance of commercial banks in Rwanda scantly exist. It is because of these reasons that the researcher sought to examine whether internal audit contributes to financial performance of commercial bank in Rwanda particularly Equity Bank Rwanda Plc

Statement of the Problem

The primary objective of managing banks is to improve bank performance so as to maximize shareholders' returns and acquire substantial profit either for expansion or to undertake new product development. This objective is meet at the expense of increased risk which is not always accompanied with the high returns and hence may sometime lead to underperformance (Olusanmi et al., 2015). Risk management is considered by researchers as a yard stick for determining failure or success of a financial institution. Across the banking industry in Rwanda, the most prominent area that erodes the mass of their profit is risk management (BNR, 2018).

Despite central bank of Rwanda providing prudential guidelines to guide commercial banks manage and improve their return on assets but some commercial banks have experienced liquidity risks making them unable to raise sufficient funds to fulfill their obligations resulting to statutory receivership (BNR, 2019). The banks continue to struggle with liquidity problems, profitability, accountability, frauds and misuse of institutional resources and the decisions made have not yielded the expected result (Audit General, 2017). Banks are faced with a challenge of short-term funds where Rwandan banks rely on deposits at a tune of 77.1 % of their total liabilities (NBR, 2019). For example, in Equity Bank Rwanda as case study there is steady decline of return on assets of Equity Bank Rwanda from 2018 up to 2021 where ROA in 2018 was 2.56% while in 2021 was 2.71%. This is in addition to the decline of return on equity of Equity Bank Rwanda where in 2018 up to 2021 where ROE in 2019 was 22.05% while in 2021, ROE was 18.99% (Equity Bank Rwanda, 2021). This increase and decrease of ROA and ROE of Equity Bank Rwanda may be caused by various factors such as: mistakes directly attributable to weaknesses in application of internal audit process, mismanagement of banks recourses and internal audit.

Various regional and local studies on this topic include: a survey conducted by Otieno (2012) found that corporate governance plays an important role on bank stability, performance and bank‘s ability to provide liquidity in difficult market conditions and find that corporate governance factors account for 22.4 % of the financial performance of commercial banks while the study done by Hatangimana(2016), that internal audit contributes a lot to the financial performance of banking institutions since it has a positive impact on return of assets of Ecobank Rwanda. This research was different from all the above mentioned as it will specifically look at internal audit as a factor affecting financial performance of commercial banks. The above researchers concentrated on management of risks and corporate governance. This study will have a look at the internal audit function in banks, the role they play in commercial banks, internal audit and asset management and how the effect on financial performance. The researcher still feels that there are still gaps which need to be addressed to see whether financial performance of Equity Bank Rwanda Plc is based on internal audit.

3. Objectives of the study

This study was guided by general and specific objectives

3.1. Gneral objective

The general objective of the study is to analyze the contribution of internal audit practices and financial performance of commercial banks in Rwanda.

3.2. Specific objectives of the Study

The study is guided by three specific objectives as follows.

1) To examine the contribution of risk assessment on financial performance of Equity Bank Rwanda Plc

2) To investigate the contribution of minimization of errors and fraud on financial performance of Equity Bank Rwanda Plc

3) To find out the contribution of audit reporting practices on financial performance of Equity Bank Rwanda Plc

3.2 Specific Objectives

The following are the specific objectives for the study.

1. To find out the influence of leadership style on implementation of Rwanda Dairy Development Project

2. To determine the influence of Leadership traits on implementation of Rwanda Dairy Development Project
3. To examine the influence of leadership competency on implementation of Rwanda Dairy Development Project
4. To find out the influence of leadership skill on implementation of Rwanda Dairy Development Project

4. LITERATURE REVIEW

This chapter discusses literature which is associated with the study. The chapter reveals theoretical and conceptual framework

4.1. Theoretical Review

Various theories have been formulated on project risk management and project performance. They include Agency Theory, Capture Theory and Contingency Theory. Each of these theories is briefly discussed in the following subsections.

Agency Theory

This theory was established because of the connection that comes between one or more party called principals and another party who is referred to as to execute a task on behalf of the principal. The theory was first created by Stephen Ross and Barry Mitnick each independently in 1972 and 1973 respectively. It gives an overview of a relationship where one party is given a responsibility to act diligently on behave of another party; the two come together when one accepts to act on behalf of the other and promise that the transactions that will take place benefits the party called principal, Laffont & Martimort (2009). In this arrangement, one party (the principal) employs the other party (the agent) to discharge some responsibilities on the principal’s behalf or to do a duty in which the principal, because of one reason or the other is not able to do it. For instance, in cooperative society arrangement, the shareholders assume the position of the principal whereas the cooperative management is entrusted with the responsibility of running the cooperatives and they are therefore referred to as the agent in which the principal hires to act on their behalf

Capture Theory

This theory was first advanced by George Stigler in 1963 who was a Nobel economist (Spiller, 1996). The theory demonstrates the process by which agencies regulating behavior of a particular industry ultimately becomes dominated by the same sector in which they were given the responsibility to regulate. This behavior happens at the time when regulatory agency, which was established to act in general interest, ultimately works in ways that benefit the industry in which it was expected to regulate, instead of the public interest.

The capture therefore makes the internal audit function not able to discharge its roles with competence and being effective and efficient, (Hutchinson & Zain, 2009). In this study, capture theory provided a summary of internal audit practices as adopted in commercial banks in Rwanda. The study independent variable risk assessment and minimizing error and fraud are anchored on this theory.

Contingency Theory

The theory models the behavior of an organization. The theory was established by Max Weber and Taylor in 1958. It explains how factor situational like culture, technology and the environment in which an organization operates, especially external one affects the plan and functioning of a firm. The main supposition of this theory is that there is no single one type of structure of an organization 23 which is correspondingly appropriate to each and every organization. Instead, effectiveness of a firm depends on how fit an organization matches the technology type, volatility of environmental, the organizational size, organizational structure features and information system (Arslan & Karan,2007).

This theory is applied to demonstrate the connection between the setting and the internal audit structure as well as organizational performance and is generally linked to the reliability of financial reporting of an entity. The need for internal control measures varies and it is according to the organization’s characteristics. This concurs with the contingency theory that claims that every firm selects a control system which is suitable and appropriate through the consideration of contingent features.’

4.2. Empirical review

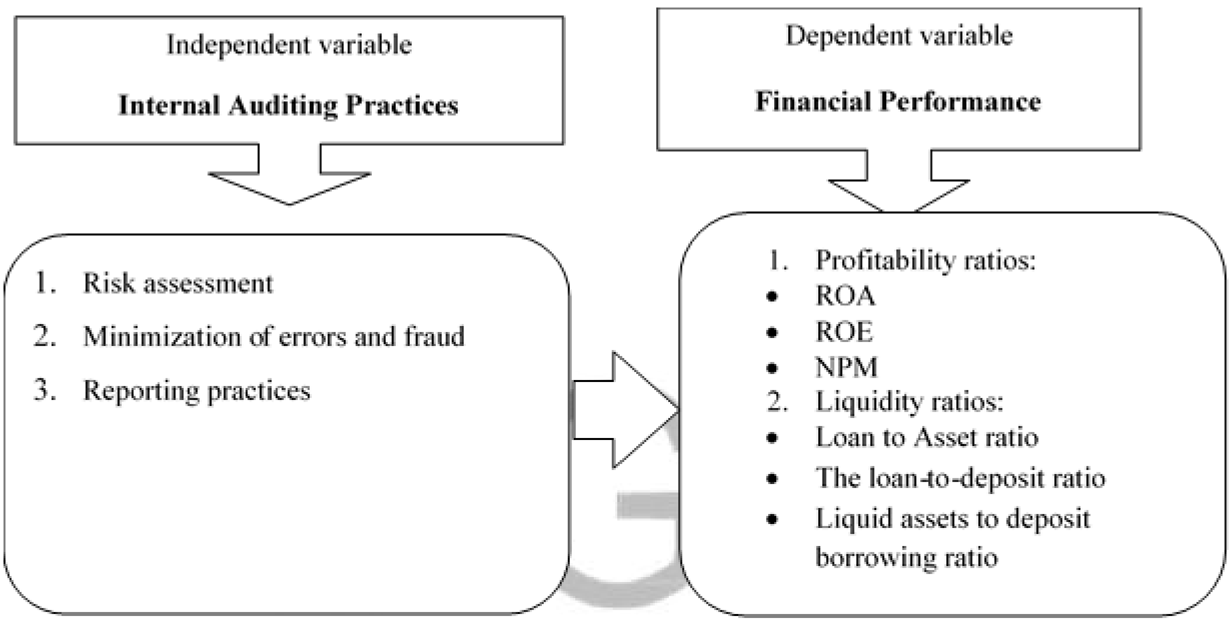
Abeer(2015), studied on the impact of the internal audit function to improve the financial performance of commercial banks in Jordan. This study aims to identify the impact of the internal audit function to improve the financial performance of the Jordanian commercial banks, has been the identification of four fields of design, a quality audit and management of the internal audit department, evaluate and develop their own internal audit risk management, has been the questionnaire distributed to internal auditors working in the internal Audit Department in the Jordanian commercial banks, have been distributed and recovery (65) questionnaire was analyzed by statistical packages spss program, the study found that the Jordanian banks interested in the quality of internal audit and management of the internal audit activities and assess the risks of the internal audit process and that there is the effect of the function internal Audit to improve financial performance.

The data for the study was analyzed for descriptive results in forms of means and variations and also regression and correlations were done to measure association of the two variables. The findings from this study revealed that the internal auditing aspect led to the firm attaining its set goals. Other results were such that internal audit led to improved financial performance in the Rift Valley Bottlers.

Nyiranzabahimana (2015) did study on the internal audit and financial performance of banking institutions in Rwanda: A case study of Bank of Kigali Ltd. The findings of the study indicated that banking institutions, mainly Bank of Kigali, apply the principles of internal audit and internal control systems and this helped them to improve financial performance as reveled by the majority of the respondents (on average, 4.321) regarding the assessment of the functioning of internal audit department in financial institutions of Bank of Kigali and 4.223 on average regarding the evaluation of the application of internal control systems in Bank of Kigali. It was found that the proper internal audit function has led to the improvement in financial performance of Bank of Kigali whereby the level of liquidity has been improved ahead of other financial performances as revealed by 4.339 averages, followed by improvement in the level of profit and return on investment as indicated by 4.201 and 4.165 respectively. It was concluded that the internal audit function has contributed to the improvement of financial performance of Bank of Kigali. It was recommended to the Bank of Kigali to provide more training to the non-auditors about auditing area so that they understand the scope of their evaluation and prepare accordingly. This may facilitate audit activities and minimize errors as well as avoiding fraud

4.3. Conceptual framework

A conceptual framework is a written or visual presentation that explains the main things to be studied. The factors; concepts or variables and the presumed relationship among them. The main objectives of forming the conceptual framework are to help the researcher in giving the direction to the research (Shokouh & Mohammad, 2017). Outline the schematic presentation of the variables of concern in the study and their corresponding dimensions. The independent variable consists of internal audit practice, while dependent variable is about financial performance of financial institutions in Rwanda



Source: *Research, (2022).*

Figure 2.1: Conceptual framework

2.5. Research gap

From the literature reviewed, some of the studies found internal control practices influencing financial performance like the case of Wanyama (2018), Baharud, et al. (2014) while others on the other hand established a negative relationship, Ejoh and Ejom (2014) whereas other noted a lack of effect between the two elements in enterprises. Commercial banks in more common due to lack of accountability and lack of commitment of accounting. This has yielded a mixed reaction and has made it difficult to understand the effect of internal audit practices especially the effect of audit committee, auditor's independence, risk management and internal control on financial performance. A number of studies on the other hand were conducted in developed countries or countries where Wanyama (2018), was conducted in a fast-moving consuming goods industry but the current study shall be performed in financial sector. Baharud, et al. (2014), conceptualized internal audit as auditor competency, objectivity and management support, the current study will use audit committee, internal controls, auditors' independence and risk management as the study variables. The present study was on internal audit practices and its effect on financial performance of Equity Bank Rwanda.

Ejoh and Ejom (2014), collected data using interviews; the current study shall collect data by way of questionnaire. Additionally, the study was conducted in tertiary institution and a similar. The present study was on internal audit practices and its effect on financial performance of Equity Bank Rwanda. This has left a gap on what effect does the internal audit practices have on financial performance of commercial banks in Rwanda. The researchers in their previous studies have shown internal audit practices as a positively significant for good financial performance in commercial banks in Rwanda.

5. METHODOLOGY AND MATERIALS

The research methodology in this study deals with the research design, the population of the study, the sampling design, data collection measurement of variables**,** reliability and validity of the measurement instruments, data processing and presentation, data analysis, limitations of the study and ethical considerations.

5.1. Research Design

This study adopted a descriptive research design and correlation research design. Descriptive research design was useful in describing the contribution of risk assessment; minimization of errors and fraud of Equity Bank Rwanda Plc and also descriptive research design used useful in describing the level of on audit reporting practices on financial performance in terms of complete within stipulated time, finish within the set budget, finish within project scope, finish within project quality and achievement of project objectives by using quantitative approach

5.2. Population of the study

A population is defined as the totality of persons or objects which a study is concerned with (Grinnel & William, 1990). Population is all elements, individuals, or units that meet the selection criteria for population to be studied, and from which a representative sample is taken for detailed examination. The target population for this study was 122 employees of Equity Bank Rwanda Plc.

Table 1: Employee of Equity Bank

Employee of Equity Bank by department	Population size

Commercial	5
Finance and accounting	10
Operations Business	18
Internal audit	9
Human resource and Administration	10
Procurement and logistics	7
IT	8
Credit &Loan recovery	10
Treasury	6
Sales & Marketing	18
Internal audit	9
Legal& Compliance	7
Risk Management	5
	122

Source: Equity Bank Rwanda Plc, 2022

5.3. Sampling design

According to Aggresti (2014), sample size refers to a selection of small proportion of respondents to present the survey population. Joy Owango (2014), a sample is a subset of population under study; the author argues that the results obtained from this sample are considered the same as those that would have been obtained if the study had been administered to the whole population. For attaining the purpose of this study, this study used census inquiry method; because the whole population under study was not large and no need to determine sample size. Hence, the sample size was 122 employees of Equity Bank Rwanda Plc

5.4. Data collection instruments

The researcher therefore compounds the use of questionnaire and documentary analysis in the process of collecting primary data.

Questionnaire

The questionnaires featured structured questions that provide quantitative data for statistical analysis. On the other hand, open ended questions generated qualitative data for content analysis. The questionnaire design followed the objectives of the research, with the first part capturing the demographic characteristics of the respondents; part two interrogating on risk assessment; part three on reporting; part four on minimization of errors and frauds.

Documentation review

In this study the documents (books, journals and web site sources) was used in order to get more information.

5.5. Reliability and validity of the measurement instruments

A pilot study was conducted by the researcher by administering the questionnaires to 13 employees of Equity Bank Rwanda Plc. From the pilot study, it is possible to detect questions that needed editing and those with ambiguities by supervisor and the answers was submitted to a reliability analysis (with SPSS) for computation of the Cronbach's Alpha.

Validity of the measurement instrument

Validity is defined as the degree to which a test measures what it purports to measure (Collins & Hussey, 2003). Each item in the instruments was reviewed by the supervisor who noted how each of the specified study objectives and research questions was captured in the instrument.

Reliability of the measurement instrument

According to Wilson, (2012), reliability refers to the consistency of measurement and is frequently assessed using the test–retest reliability method. The researcher selected a pilot group of 13 employees of Equity Bank Rwanda Plc see giving consistent results, and it was done before actual data collection to remove bias and subjectivity on the side of researcher. The answers were submitted to a reliability analysis (with SPSS) for computation of the Cronbach's Alpha. According to Sekaran (2010) Alpha values for each variable under study should not be less than 0.7 for the statements in the Instruments to be deemed reliable.

Table 2: Reliability Statistics

Cronbach's Alpha	N of Items
.788	15

Source: Primary data, 2022

The computed Cronbach's Alpha for each questionnaire is greater than 0.7. This being greater than 0.7, it indicates that there is greater internal consistency of the items in the scale, and that the research instrument used was very reliable.

5.5. Data analysis method

According to Creswell (2013), the analysis of data allows the researcher to organize the data collected during the study in order to assess and evaluate the findings so as to arrive at some reasonable, valid and relevant conclusion. This study employed a descriptive statistical method and inferential statistics like correlation and regression analysis as method of data analysis

6. FINDINGS

This section helps to respond the objectives of this study which was to find out the influence of leadership style on implementation of Rwanda Dairy Development Project, to determine the influence of Leadership traits on implementation of Rwanda Dairy Development Project; to examine the influence of leadership competency on implementation of Rwanda Dairy Development Project and to find out the influence of leadership skill on implementation of Rwanda Dairy Development Project

Table 3: Correlations analysis

		X_1	X_2	X_3	Y
X1=Risk assessment	Pearson Correlation	1			
X2=Minimization of errors and fraud	Pearson Correlation	.295**	1		
X3= Audit reporting practices	Pearson Correlation	.165	-.043	1	
Performance of Equity Bank Rwanda Plc	Pearson Correlation	.533**	.688**	.193*	1
	Sig. (2-tailed)	.000	.000	.033	

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

From the study findings in table 3, revealed that there is significant moderate correlation between risk assessment and performance of Equity Bank Rwanda Plc as shown by a correlation figure of 0.533**, p-value =0.000<0.05 level (2-tailed). This implies that an improve of risk assessment contribute to an increase of performance of Equity Bank Rwanda Plc. These results are consistent with Sam et al. (2016) indicated that risk assessment has a significant positive impact on business financial success.

From the study findings in table 3, revealed that there is significant moderate correlation between minimization of errors and fraud and performance of Equity Bank Rwanda Plc as shown by a correlation figure of 0.688**, p-value =0.000<0.05 level (2-tailed). This implies that an improve of minimization of errors and fraud contribute to an increase of performance of Equity Bank Rwanda Plc. These results are in agreement with Matoke and Omwenga (2016) found that the effect of audit context on financial performance is positive and significant and the higher the degree of auditor independence, the more likely the firm is to have higher profitability.

From the study findings in table 3, revealed that there is significant weak correlation between audit reporting practices and performance of Equity Bank Rwanda Plc as shown by a correlation figure of 0.193[*], p-value =0.033<0.05 level (2-tailed). This implies that an improve of audit reporting practices contribute to an increase of performance of Equity Bank Rwanda Plc. These results are in agreement with Mihret and Yismaw (2007), where they indicated that the existence audit reporting practices led to the improvement of IAF effectiveness, which enhanced the efficiencies in the organization and also are in agreement with Archambeault *et al*. (2008) concluded that internal audit report has potential to complement existing disclosures, increase stakeholder's confidence in governance quality and financial reporting reliability.

Multiple linear regression analysis

Multiple linear regression was used to determine the effect of each predictor such risk assessment, minimization of errors and fraud and audit reporting practices as independent variables on performance of Equity Bank Rwanda Plc

Table 4: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.787[a]	.619	.609	.38470

a. Predictors: (Constant), X3=Audit reporting, X2=Minimization of errors and fraud, X1=Risk assessment

The results from the above table 4, the value of coefficient of determination (adjusted R-Square) was 0.609 (60.9%) an indication that there was variation of 60.9% in performance of Equity Bank Rwanda Plc was due to changes in internal audit practices which implies that the four independent variables (risk assessment; minimization of errors and fraud and audit reporting practices) as represented by R^2. Since the variables in the model count 60.9% change in financial performance. The contribution of all factors either in the model or not in the model count 100%. Therefore, there are other factors that influence financial performance of Equity Bank Rwanda Plc that are not included in the model which account for 39.1% towards financial performance of Equity Bank Rwanda Plc.

Table 5: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	28.387	3	9.462	63.938	.000[b]
	Residual	17.463	118	.148		
	Total	45.850	121			

a. Dependent Variable: Performance of Equity Bank Rwanda Plc

b. Predictors: (Constant), X3=Financial report, X2=Minimization of errors and fraud, X1=Risk assessment

The findings in the table 5, indicate that the overall model was significant. The overall model was significant because calculated F statistic of 63.938 was large than the critical $F(V_1=3,V_2=118)$ =2.68 and also because p-value calculated =0.000 is less than Critical p-value=0.05 level of significant. Therefore, this implies that the variables: risk assessment; minimization of errors and fraud and audit reporting practices had significant contribution to the variation of financial performance of Equity Bank Rwanda Plc. Therefore, it can be concluded internal audit had significant influence on performance of Equity Bank Rwanda Plc

Table 6: Regression coefficients

	Unstandardized Coefficients		Standardized Coefficients		
Model	B	Std. Error	Beta	t	Sig.
(Constant)	.856	.293		2.918	.004
X1=Risk assessment	.263	.048	.329	5.445	.000
X2=Minimization of errors and fraud	.389	.039	.598	10.015	.000
X3= Audit reporting practices	.141	.050	.165	2.845	.005

a. Dependent Variable: Performance of Equity Bank Rwanda Plc

$$\mathbf{Y = \beta 0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon}$$

Based on the findings above the model is represented as follows:

Financial performance = $0.856+ 0.263X_1+ 0.389X_2+ 0.141X_3$

The regression equation above has established that taking all factors into account (risk assessment; minimization of errors and fraud and audit reporting practices) constant at zero. Performance of Equity Bank Rwanda PlC was 0.856

The regression results revealed that risk assessment has significance positive contribution on performance of Equity Bank Rwanda Plc as indicated by β_1= 0.263, p-value=0.000<0.05, t= 5.445. The implication is that an increase of one unit in risk assessment would lead to an increase in performance of Equity Bank Rwanda Plc by 0.263 units. Therefore, the study rejected the null hypotheses that stated that there is no significant contribution of risk assessment on performance of Equity Bank Rwanda Plc

The regression results revealed that minimization of errors and fraud has significance positive contribution on performance of Equity Bank Rwanda Plc as indicated by β_2= 0.389, p-value=0.000<0.05, t= 10.015. The implication is that an increase of one unit in minimization of errors and fraud would lead to an increase in performance of Equity Bank Rwanda Plc by 0.389 units. Therefore, the study rejected the null hypotheses that stated that there is no significant contribution of minimization of errors and fraud on performance of Equity Bank Rwanda Plc

The regression results revealed that audit reporting practices has significance positive contribution on performance of Equity Bank Rwanda Plc as indicated by β_3= 0.141, p-value=0.005<0.05, t= 2.845. The implication is that an increase of one unit in audit reporting practices would lead to an increase in performance of Equity Bank Rwanda Plc by 0.141 units. Therefore, the study rejected the null hypotheses that stated that there is no significant contribution of audit reporting practices on performance of Equity Bank Rwanda Plc. These findings are in agreement with Bouaziz (2012) concluded that audit quality through internal auditing standards and audit outcome play a significant positive effect on financial performance of manufacturing company in Kenya.

7. CONCLUSION AND RECOMMENDATIONS

This section presented conclusions, and recommendations of the research.

7.1. Conclusion

Based on the study findings, the study concludes that internal audit practices had a significant contribution on financial performance, and therefore, the null hypothesis is rejected, meaning that an improvement of internal audit practices used by Equity Bank Rwanda Plc would lead to increase of its financial performance. Therefore, the study concluded that the variation of 60.9% in performance of Equity Bank Rwanda Plc was due to changes in internal audit practices which implies that the four independent variables (risk assessment; minimization of errors and fraud and audit reporting practices) as represented by R^2. This is because; respondents said that proper application of internal audit function can help the corporation to achieve its objective, help in the detection of fraud, help in minimizing costs, help employees to perform their assigned tasks both effectively and effectiveness all of which improve on the financial performance of the corporation. In general, the study concludes that that internal audit can enhance the efficiency of auditors are important for effective fraud detection. The study concluded internal audits in the organization have features built into them to ensure that fraudulent transactions are flagged or made difficult to transact.

The study concluded the research hypothesis stated that there is no significant contribution of risk assessment on financial performance of Equity Bank Rwanda Plc was rejected. Hence, there is significant contribution of risk assessment on financial performance of Equity Bank Rwanda Plc

The study concluded the research hypothesis stated that there is no significant contribution of minimization of errors and fraud on financial performance of Equity Bank Rwanda Plc was rejected. Hence, there is significant contribution of minimization of errors and fraud on financial performance of Equity Bank Rwanda Plc

The study concluded the research hypothesis stated that there is no significant contribution of audit reporting practices on financial performance of Equity Bank Rwanda Plc was rejected. Hence, there is significant contribution of audit reporting practices on financial performance of Equity Bank Rwanda Plc. In general, the study concludes that that internal audit can enhance the efficiency of auditors are important for effective fraud detection.

7.2. Recommendations

Based on the study findings, the following recommendations were made:

Equity Bank Rwanda Plc should check periodically their internal auditing practices to compare them with their cash in and cash out.

Equity Bank Rwanda Plc should consider determining the audit appropriations as an indicator of financial performance of Equity bank, Plc to improve on their profits.

The internal audit function in Equity Bank Rwanda Plc internal audit department should ensure that financial fraud in their various establishments is being controlled and reduced to zero level.

The head of the internal audit department should be responsible to the management/board in the organization with sufficient authority to promote independence and to ensure broad audit coverage, adequate consideration of audit reports, and appropriate action on audit recommendations.

The study also recommends that Management should establish and implement periodic review of internal audit performance to ensure that its performance and value to the Institution is maximized and to ensure compliance with appropriate standards and guidance.

The study also recommends that Management should establish and implement periodic review of internal audit performance to ensure that its performance and value to the Institution is maximized and to ensure compliance with appropriate standards and guidance and also will help identify the underperforming areas.

There is need for the remittance companies in Equity Bank Rwanda Plc to increase their audit risk assessments as it was founded that audit risk assessments positively affects the organizational performance of commercial banks

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