EFFECT OF DISCLOSURE OF FINANCIALS ON FINANCIAL PERFORMANCE OF INTERNAL AUDIT STANDARDS AND FINANCIAL PERFORMANCE OF PUBLIC INSTITUTIONS IN RWANDA. A CASE OF RWANDA SOCIAL SECURITY BOARD

Muvunyi Ndahindurwa Olivier & Dr. Athanas Kengere Osiemo, PhD

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EFFECT OF DISCLOSURE OF FINANCIALS ON FINANCIAL PERFORMANCE OF INTERNAL AUDIT STANDARDS AND FINANCIAL PERFORMANCE OF PUBLIC INSTITUTIONS IN RWANDA. A CASE OF RWANDA SOCIAL SECURITY BOARD

[1] Muvunyi, N. O., & [2] Osiemo, A. K.

[1] Postgraduate Student (Finance), Mount Kenya University, Kigali, Rwanda
[2] Senior Lecturer - Mount Kenya University, Kigali Rwanda

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ABSTRACT

The purpose of this research is to assess the influence of internal audit standards on the financial performance of public institutions in Rwanda, with a focus on the Rwanda Social Security Board (RSSB) for the period from 2018 to 2022. The study was guided by three specific objectives which are: To assess the effectiveness of internal audit standards at Rwanda Social Security Board, to analyze the financial performance of the Rwanda Social Security Board (RSSB), and to examine the influence of internal audit standards on the financial performance of RSSB. in the methodology section this study employed a mixed-method approach, incorporating both descriptive and correlational research designs with data collection method which used both quantitative and qualitative data by use of interview guide and questionnaire. The target population of this research included 125 dedicated staffs of RSSB within which 95 respondents of the study were selected as the sample size using a modified version of Taro Yamane's formula of sample size determination and with the use of simple random and purposive sampling technique the sample. The collected results followed comprehensive statistical analysis, incorporating measures such as the mean and standard deviation for descriptive insights as well as the correlation for establishing relationship between variables: as results the following were found: To the first specific objective where the effectiveness of internal audit standards was assessed based on independence of internal audit, the competence of internal audit team and the internal control system the following were found: independence of internal audit is done on high level considering the mean of 3.43 which is interpreted as high mean. These findings suggest a generally positive assessment of the internal audit standards at RSSB, with respondents expressing a high level of agreement and satisfaction with the audit function's independence, accessibility, transparency, operational freedom, and freedom from undue pressure, which could potentially contribute to improved financial performance. There is effective competence of audit team, supported by high of 3.65 resulted from four indicators and relatively low standard deviations across all five statements. The internal control system is efficiently conducted considering the grand mean of 3.67 which is interpreted as high mean and the variability in standard deviations suggests that there is some diversity in the respondents' views on these aspects. To the second specific objective, it was found that the financial performance at RSSB is explained by the following: the RSSB has been appreciated by beneficiaries and *shareholders considering the mean of 3.74 which is interpreted as high mean, the increase of return on assets for five years considering the mean of 3.67 which is interpreted as high mean, the financial targets set by the institutions were achieved considering the mean of 3.62 which is interpreted as high mean, the projects that were undertaken for self-financial sufficiency have been achieved considering the mean of 3.62 which is interpreted as high mean, and the financial resources have been well allocated and there were no embezzlements considering the mean of 3.77 which is interpreted as high mean. To the third specific objective, it was revealed that there is a positive relationship between independence of internal audit team with financial performance of RSSB considering the Correlation coefficient of 0.622 which is assuming the positive value and this was found to be statistically significant since the p-value of 0.000 is less than 0.01. secondly there is it has positive relationship between competence of internal audit with financial performance of RSSB considering the correlation coefficient of 0.484 which assume a positive value and this was found to be statistically significant considering the p-value of 0.000. Thirdly, it has been found that internal control in this study influence positively the financial performance of RSSB with the correlation coefficient of 0.466 and this was found to be statistically significant considering the p-value of 0.000. In conclusion, this study sheds light on the critical interplay between adherence to internal audit standards and the financial performance of the Rwanda Social Security Board, providing valuable insights for enhancing governance practices and fostering sustained fiscal responsibility in public institutions. Based on the findings of this study, it is recommended that the Rwanda Social Security Board enhances its adherence to established internal audit standards to further bolster financial performance, ensuring robust governance and accountability in the organization. Further studies could explore the longitudinal impact of enhanced internal audit standards on the financial resilience and long-term sustainability of public institutions, such as the Rwanda Social Security Board, considering evolving regulatory landscapes and the dynamic nature of economic environments.*

Keywords: *Internal Audit Standards, Financial Performance, Public Institutions, Rwanda Social Security Board*

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Background of the Study

Throughout its historical evolution, internal audit primarily functioned as a straightforward administrative process, predominantly involving document verification, asset inventory, and reporting to governing bodies such as the Board of Directors, Management, or External Auditors. This traditional role of internal audit has been widely recognized in the literature (Zain et *al.,* 2019). However, recent developments have initiated a subtle yet profound transformation within this profession. Modern organizations face heightened scrutiny in demonstrating accountability for shareholders' funds and optimizing service delivery efficiency (Christ et *al.,* 2020). Consequently, there is an escalating demand for enhanced competence and professionalism within the internal audit field. Given the constraints of limited resources, organizations must deploy these resources more judiciously to mitigate and manage risks effectively.

The advent of technological advancements has revolutionized the ability to rapidly track and analyze data. This evolution underscores the critical role that the internal audit department plays in advising organizations on data-driven decision-making (Chan et *al.,* 2018). Notably, the nature of internal audit practices varies from one organization to another, making the transition from mere regulatory compliance to providing tangible value a significant and multifaceted endeavor (Ramamoorti, 2003; Borys et *al.,* 2021).

It is worth acknowledging that in numerous public institutions, employees contend with low remuneration and a lack of motivation. Ethical standards often appear weak, and governance practices frequently prove ineffective, contributing to instances of asset mismanagement (Ramamoorti, 2003). This global recognition has propelled internal audit into the spotlight as a catalyst for enhancing asset management within public institutions, thereby fostering improved financial performance. Scholars such as Johnson *et al.* (2017) have emphasized the pivotal role of internal audit in promoting ethical standards and effective governance practices within public entities.

Indeed, there is a growing awareness worldwide that the Internal Audit function possesses the untapped potential to offer unparalleled services to organizational management. This realization has metamorphosed into a compelling challenge, epitomized by the revised definition of Internal Auditing put forth by the Institute of Internal Auditors (IIA) (IIA, 2017). Public institutions have now come to appreciate the indispensable role of internal audit in optimizing asset management, ultimately leading to enhanced financial performance within these entities. Researchers like Gupta *et al.* (2020) have underscored the importance of internal audit in improving financial management practices and ensuring transparency in public institutions.

The Auditor General's report for Rwanda in 2021 sheds light on the current state of internal audit standards and their impact on financial performance. Academic researchers in Rwanda, such as Nyirinkwaya and Murwanashyaka (2020), have previously examined the challenges faced by public institutions in implementing effective internal audit practices. These challenges include a lack of skilled internal auditors and limited access to advanced auditing technology, aligning with the findings of the Auditor General's report. Scholars have called for increased investment in training and technology to bridge these gaps. Furthermore, the Auditor General's report aligns with the scholarly discussions on ethical standards and governance. Scholars like Uwimana and Nkunzimana (2017) have emphasized the crucial role of ethical behavior and strong governance practices in achieving sustainable financial performance. The Auditor General's report highlights instances of asset mismanagement, which correlate with the findings of academic research in Rwanda. These insights underscore the importance of addressing ethical and governance issues within public institutions, as they have direct implications for financial performance.

Statement of the Research Problem

Rwandan public institutions have experienced a significant increase in failure rates, with over 40% reported in the past year alone. According to Thottoli (2021) this has raised concerns about the state of public sector performance in Rwanda, with 75% of institutions flagged for underperformance by internal assessments. as highlighted by Sije (2017) Issues such as non-compliance with policies, integrity concerns related to information, and disparities in resource allocation have been emphasized in these reports.

An analysis of audit reports from the Office of the Auditor General for the fiscal years 2021 to 2022 reveals a lack of improvement in the financial performance of most institutions. Key problem areas include revenue management deficiencies, irregularities in expenditure management, inadequate controls over payroll, and weak internal control systems. Revenue management issues accounted for 30% of the identified problems, while irregular expenditure management and inadequate payroll controls represented 25% and 40% respectively (OAG, 2022).

A recent research study by Richard and Kengere (2023) highlights the inadequacies in audit practices employed by these institutions, contributing to financial irregularities in the public sector. Their findings reveal that 70% of public institutions in Rwanda lack effective audit practices, further corroborating the need for a comprehensive audit system overhaul.

Despite government efforts to enhance the effectiveness of audit systems through staff capacity building and reorganization of internal audit practices, fundamental questions persist regarding the actual effectiveness of audit departments in managing public funds. The primary objective of this study is to demonstrate how the effective application of International Standards for Professional Practice of Internal Audit can result in enhanced financial performance within the context of public institutions in Rwanda.

LITERATURE REVIEW

Empirical Review

The first notable study in this area was conducted by Hutchinson and Zain in 2019. They investigated the correlation between internal audit standards and firm performance, particularly in relation to growth opportunities and the effectiveness of audit committees. Their research, which involved sixty Malaysian companies, revealed a significant and positive relationship between internal audit standards and firm performance. This set the stage for further exploration. Continuing in the same vein, Kiabel in 2020 examined the link between internal audits and the performance of state-owned enterprises in Nigeria. This study aimed to assess the impact of internal audits on the financial performance of these companies. The results indicated a significant positive relationship between internal audits and financial performance. The author strongly recommended the establishment of internal audit departments in companies where they were lacking.

Furthermore, Ondieki's 2017 study focused on the effect of internal audits on the financial performance of commercial banks in Kenya. Internal audit quality was measured using various proxies such as internal audit standards, the professional competence of internal auditors, internal control, and the independence of internal audit functions. The research, which involved senior managers in the finance departments of commercial banks, concluded that the independent variables characterizing internal audit quality had a significant positive relationship with the financial performance of commercial banks.

Specioza, in 2015, explored the relationship between internal audits and the performance of local government in Uganda, specifically in the case of Scheema District Local Government. The study revealed a positive and significant relationship between internal audits and financial performance. Respondents noted that the presence of internal audits ensured accountability among local government employees, leading to the efficient and proper management of public resources and, in turn, improving the government's financial performance.

Additionally, in 2017, Bett analyzed the relationship between the effectiveness of internal audit functions and the financial performance of listed companies in Nairobi. The study examined various independent variables, including the professional competence of internal auditors, the quality of work of the internal audit department, organizational independence, career development of internal audit staff, top management support for the internal audit department, and firm size. The study concluded that all these proxies of internal audit quality had a positive influence on the financial performance of companies listed on the Nairobi Stock Exchange.

In 2018, Ziaee conducted a study on the effect of internal audit quality on the performance of listed companies on the Tehran Stock Exchange. The main respondents were financial managers of the listed companies. The results showed that the quality of internal auditing had a positive impact on financial performance. Additionally, Farouk and Hassan (2019) provided further insights into the impact of internal audit standards on the financial performance of listed cement companies in Nigeria. They measured internal audit standards by auditor independence and the size of the internal audit department and financial performance by net profit margin. The findings demonstrated that both auditor independence and the size of the internal audit department positively influenced the financial performance of the companies studied, with auditor independence having a more significant impact than department size. This wealth of research underscores the growing recognition of the importance of internal audit quality in shaping and enhancing the financial performance of organizations. It provides a comprehensive overview of the multifaceted relationship between internal audit standards and financial outcomes, offering valuable insights for practitioners and policymakers alike.

Theoretical Literature on Internal Audit Function's Independence

The Institute of Internal Auditors defines internal auditing as an impartial and objective activity aimed at enhancing an organization's effectiveness and value while systematically evaluating and improving risk management, control, and governance processes (IFAC, 2020; IIA, 2019). Auditor independence, whether internal or external, is often associated with the absence of reliance on or influence from external entities (Appah, 2018). In the context of internal auditors, they typically operate within an organization and report to higher levels of authority, such as governing councils, boards, or ministries in the case of public institutions, depending on local terminologies (Badara & Saidin, 2022).

Clear delineations of independence should be established within specific areas of application, signifying the degree of freedom necessary to conduct independent assessments and reporting on various departments of a public institution without being unduly influenced by immediate management levels (Al-Shetwi *et al.*, 2021; Seol *et al.*, 2021; Leung & Cooper, 2019; Kwanbo, 2019; Mihret & Woldeyohanes, 2018). Research, such as the qualitative study by Salawu & Agbeja (2017), underscores that absolute independence within the audit section of public services is essential for effective examination and, consequently, enhanced transparency and accountability. Furthermore, the absence of sufficiently qualified and skilled human resources, coupled with a lack of independence and objectivity, can impede effective internal audit practices in public sectors, resulting in poor accountability and non-transparent reporting (Zulkifli *et al.,* 2014).

Auditor independence is pivotal in instilling credibility into audit reports, upon which financial information users rely to make economic decisions concerning an entity. Ensuring the independence of internal auditors is imperative as it directly correlates with the quality of the information they present to decision-makers and the reliability of their reports on the operations of public entities. Any compromise of auditor independence can lead to a loss of confidence among report users due to potential biases in the auditor's conclusions and opinions. Thus, internal auditors should maintain both independence in mind, which safeguards professional judgment from compromising influences, and independence in appearance, which assures third parties of their integrity, objectivity, and professional skepticism (Messier *et al.,* 2021).

Internal auditors play a vital role in providing assurance regarding the management of their entity, offering insights into both positive and negative aspects. They report their findings to higher levels of the public entity's administration, such as boards of directors or audit committees, which may take measures to enhance management processes and internal control systems, thereby aiding in the achievement of organizational objectives (Messier *et al.,* 2021). Modibbo's (2018) study on selected local governments in Adamawa State suggests that establishing an independent internal audit department is crucial for impartiality and effectiveness, facilitating fair assessments of financial dealings in public offices, ultimately promoting transparency and accountability at all levels of local government in the state.

Independence within the internal audit function serves as a linchpin for transparency and accountability in public sector financial management and reporting, a goal yet to be fully realized in Nigeria. For instance, the Office of the Auditor-

General for the Federation (OAuGF) follows the same budgetary process as other Ministries, Departments, and Agencies (MDAs). Its budget estimates are subject to approval by the National Assembly through the Ministry of Budget and National Planning, with funds controlled by the Ministry of Finance and only released upon the issuance of a warrant by the Budget Office. This setup grants the Office of the Accountant General significant influence over OAuGF's funding and has, in recent years, led to the withholding of portions of its annual budget. Moreover, the OAuGF relies on the Federal Civil Service Commission for the recruitment and assessment of its senior-level human resources that is the Certified Professional Accountants (CPA). These processes pose substantial obstacles to the independence and autonomy of the OAuGF (Ukura, 2016). A similar budgetary process and funding scenario apply in Rwanda, albeit without delays in the release of appropriated funds to the Office of the Auditor-General (OAG).

Agency Theory

Agency Theory, founded by Michael C. Jensen and William H. Meckling in 1976, is a fundamental framework for understanding the relationship between principals (typically shareholders) and agents (management) within organizations. Agency theory is primarily concerned with addressing challenges that can emerge within agency relationships, specifically those involving principals (e.g., shareholders) and agents acting on behalf of the principals (e.g., corporate executives). This theory grapples with two fundamental issues: firstly, the dilemmas arising when the objectives or interests of the principal and agent are at odds, and the principal lacks effective means to monitor the agent's actions; secondly, the complications arising from differing risk preferences between the principal and agent. These disparities in risk tolerance can lead to divergent decision-making. An article by Adams (1994) underscores the potential of agency theory to significantly enhance research within the field of internal auditing. It posits that internal auditing, akin to other control mechanisms like financial reporting and external audit, plays a crucial role in upholding cost-efficient contractual relationships between owners and managers.

Agency theory not only offers insights into the rationale behind the existence of internal audit functions within organizations but also sheds light on certain attributes and standards associated with internal audit departments. These attributes include considerations such as the size of the department and the focus of its activities, distinguishing between financial and operational auditing. Furthermore, agency theory can be leveraged for empirical investigation to ascertain whether variations in internal auditing practices across different organizations are reflective of the varying contractual dynamics stemming from differences in organizational structures and arrangements. In essence, agency theory serves as a robust framework for dissecting and understanding the intricacies of internal audit practices and their alignment with the broader objectives of maintaining effective principal-agent relationships.

Conceptual Framework

The figure 1 below represents a conceptual framework, which illustrates how the independent variables, dependent variable, and intervening variables are interconnected relevant in this research study. The relationships between these variables are supported by scholarly research from various years. Independence of Internal Audit, the independence of internal audit is a crucial factor that can influence the financial performance of public institutions. Scholars like DeZoort and Salterio (2021) have highlighted the importance of internal audit independence in ensuring effective governance and control systems within organizations. Relevant to RSSB, a higher level of independence, including freedom from conditions and access to senior management and the board, can lead to more effective oversight and, consequently, better financial performance.

Independence of Internal Audit
- Level of access to senior management and the board
- Reporting relationship
- Freedom from conditions

Financial Performance
- ROI (Return on Investment)
- ROE (Return on Equity)
- ROA (Return on Assets

- Organizational Culture
- Information Technology (IT) Infrastructure
- Risk Management Practices

Independent Variable **Moderating Variable** **Dependent Variable**

Figure 1: Conceptual Framework

Source: Researcher, 2023

METHODOLOGY

Research Design: This research employed a mixed-method approach, incorporating both descriptive and correlational research techniques to examine the influence of Internal Audit standards on the financial performance of public institutions in Rwanda. The descriptive research component focused on providing a detailed overview and understanding of the current Internal Audit practices within these institutions, while the correlational research element investigated whether there are statistically significant relationships between adherence to these standards and financial performance outcomes as suggested by Ngechu (2018). This combination of methods allows for a more comprehensive exploration of the research question, enabling a deeper insight into potential causal links and practical implications for improving financial management in the public sector in Rwanda.

Target Population: The research project aims to assess the diverse workforce at the Rwanda Social Security Board (RSSB) by including 125 dedicated staff members from various units, such as Finance and Accounting, ICT, Procurement, Investment Analyst, Internal Audit, Contract Management, Human Resources and Administration, Planning and Monitoring, Pension and Pre-retirement, and the Senior Management team. This comprehensive approach allows for a holistic understanding of the organization's dynamics, challenges, and performance, as it acknowledges the unique roles and perspectives of different units and hierarchical levels within RSSB. This inclusivity aligns with scholarly ideas on the benefits of diverse research populations and the concept of intersectionality, which recognizes that individuals' experiences are shaped by various factors within an organization, ultimately enhancing the research's depth and validity.

Sample size: In this research project, the researcher diligently selected a sample of 95 individuals from the overarching target population, which encompasses a diverse range of committed staff members representing key divisions within the Rwanda Social Security Board (RSSB). This encompassing sample included professionals from the Finance and Accounting Unit (comprising 22 individuals), adept experts from the ICT Unit (totaling 9 members), a group of astute professionals from the Procurement Unit (8 individuals), specialists from the Investment Analyst Unit (5 members), diligent individuals from the Internal Audit Unit (13 individuals), personnel responsible for Contract Management (5 members), dedicated experts from the Human Resource and Administration Unit (11 individuals), proficient individuals from the Planning and Monitoring Unit (9 members), talented experts from the Pension and Pre-retirement Unit (11 individuals), and a distinguished group of Senior Management leaders (2 members). This meticulously constructed and comprehensive sample were instrumental in capturing a rich cross-section of RSSB's dynamic workforce, reflecting the multifaceted nature of the organization, allowing for in-depth research and analysis. As highlighted in a study by Smith and Johnson (2022) on research methodology and sample selection, the meticulous construction of such a diverse and comprehensive sample is paramount in capturing an organization's multifaceted and dynamic nature, ensuring the adequate representation of various vital divisions and facilitating in-depth analysis.

The researcher also employed a modified version of Yamane's formula (1976) to calculate the sample size, ensuring the collection of trustworthy information, as guided by insights from Quora 2015. The sample size was calculated as follows:

$$\frac{125}{1+125(0.05)2} = 95$$

Therefore, the sample size is composed of 95 individuals as per the calculation above

Sampling Technique: The sampling technique that the researcher employed in this study combined simple random sampling and purposive sampling methods. The simple random sampling method were used to select staff members from various units within the Rwanda Social Security Board, ensuring each employee has an equal chance of being included in the sample. This approach is justified by the research methodology principles advocated by Smith and Jones (2019), which highlight the benefits of simple random sampling in obtaining unbiased and representative samples. Additionally, the purposive sampling method were employed to intentionally select specific individuals from the Senior Management group, recognizing their distinctive and influential roles within the organization. Additionally, members from select divisions were chosen based on their exceptional expertise, competence, and extensive experience in their respective areas to ensure that their valuable insights are adequately represented. This approach was not only strengthening the study's capacity to encompass a comprehensive cross-section of the RSSB's workforce but also provided a specific focus on the Senior Management team. This dual approach was significantly enriching the research by incorporating insights from top-level decision-makers and key operational units, yielding a more holistic understanding of the organization.

Table 1: Determination of sample size

Category	Target population	Sample Size	Sampling Technique
Finance and Accounting Unit staff	29	25	Purposive
ICT Unit	12	6	Simple Random
Procurement Unit	10	8	Simple Random
Investment Analyst Unit	7	5	Purposive
Internal Audit Unit	17	16	Purposive
Contract Management Unit	7	5	Purposive
Human Resource and Administration Unit	14	8	Simple Random
Planning and Monitoring Unit	12	9	Simple Random
Pension and pre-retirement Unit	14	11	Simple Random
Senior Management	3	2	Purposive
Total	**125**	**95**	

Source: Rwanda Social Security Board 2023

Data Collection Instruments: According to Ngechu (2018), a variety of data collection methods exist, with the choice of tools and instruments primarily contingent upon factors such as subject attributes, research topic, problem questions, objectives, design, expected data, and anticipated results, as each tool collects specific data. Donald (2016) highlights two primary sources of data: primary data from respondents and secondary data. In this research, the investigator employed a survey questionnaire to be distributed to each member of the target population, which were primarily gather quantitative data. Additionally, given the nature of the research topic, the study also incorporated qualitative data collection methods, such as interviews or open-ended survey questions, to gain deeper insights into the subject matter. The questionnaire underwent meticulous design and testing, involving a subset of the population to refine and enhance its validity and the accuracy of data collected for the study.

Procedures of Data Collection: The data collection procedures for this research involve the administration of structured survey questionnaires to relevant personnel, including officials from the Rwanda Social Security Board (RSSB) and other public institutions. Additionally, semi-structured interviews were conducted to gather in-depth insights, and a thorough document analysis were performed on documents such as financial statements, internal audit reports, and policies within the specified time frame. Ethical considerations were adhered to throughout the process, ensuring informed consent and data confidentiality. The collected data were meticulously recorded, validated, and subsequently analyzed using appropriate tools, with the research findings to be presented in a clear and organized manner to address the study's objectives.

Reliability and Validity of Instruments: To ensure the confidentiality and reliability of the research instruments in this research investigation, a pre-test exercise was conducted before commencing the actual data collection process. Experts in the field were consulted to assess the content, clarity of question items, and their relevance. Any necessary adjustments were made to enhance the instruments' reliability, and efforts were made to simplify the questionnaires for better understanding while providing clear instructions. Moreover, to establish content validity, the development of data collection instruments, such as the survey questionnaire, were supervised to ensure alignment with the study's objectives and accurate measurement of the intended concepts. The instruments underwent comprehensive discussions with colleagues and the research supervisor, and they were pre-tested using a representative sample of respondents to further validate their effectiveness.

Data Analysis: In this study, data analysis encompassed both descriptive and inferential statistics. Descriptive statistics, involving the presentation of percentages and frequencies, were used to provide a comprehensive overview of the research variables. To assess the research hypotheses, inferential statistics, including correlational analysis and regression analysis, were employed. These analytical techniques delve deeper into relationships and predictive factors within the data. For the data analysis process, the researcher employed the Statistical Package for Social Sciences (SPSS), a widely recognized and robust software tool for statistical analysis, which facilitate accurate and systematic examination of the collected data. This combination of descriptive and inferential statistics, supported by SPSS, enabled a thorough and rigorous exploration of the research questions.

RESULTS AND FINDINGS

Application of internal audit standards at Rwanda Social Security Board

There are different standards that could be followed for effective practices of internal audit but for the purpose of this study the standards that were looked on included the independence, the competence and internal audit system.

Table 2: The independence of internal audit at RSSB

	Mean	Std. Deviation	Interpretation
The internal audit function at RSSB has a high level of independence.	3.21	1.193	Moderate mean
The internal audit function at RSSB has direct access to senior management and the board.	3.60	.856	High mean
The reporting relationship of the internal audit function at RSSB is transparent and free from external influences.	3.35	.987	Moderate mean
The internal audit function at RSSB operates without significant constraints or conditions.	3.65	.848	High mean
The internal audit function at RSSB is free from undue pressure or interference in its activities.	3.38	.936	Moderate mean
Independence of internal audit	3.4379	.68992	High mean

Source: Primary Data, 2023

Note: Strongly disagree=1-1.8=Very low mean; Disagree=1.81-2.60=Low mean, Neutral=2.61-3.40=Moderate mean, agree=3.41-4.20=High mean, strongly agree=4.21-5.00=Very high mean

According to the above table, the independence of internal audit at RSS is made effective by the following: the internal audit team 3has direct access to senior management and the board considering the mean of 3.60 which is interpreted as high mean, the internal audit at RSSB operates without constraints or any condition considering the mean of 3.65 which is interpreted as high mean. Other practices related to independence of internal audit on moderate level include working on high level of independence considering the mean of 3.21 which is interpreted as high mean, in reporting there is transparency and are free from external influence considering the mean of 3.35 which is interpreted as high mean, and the internal audit is free from undue pressure or interference in its activities considering the mean 3.38 which is interpreted as moderate mean.

Briefly, it is to conclude that the independence of internal audit is done on high level considering the mean of 3.43 which is interpreted as high mean. These findings suggest a generally positive assessment of the internal audit standards at RSSB, with respondents expressing a high level of agreement and satisfaction with the audit function's independence, accessibility, transparency, operational freedom, and freedom from undue pressure, which could potentially contribute to improved financial performance.

Table 3: Functionality of internal control system at RSSB

	Mean	Std. Deviation	Interpretation
RSSB has a strong awareness of internal controls	3.86	.752	High mean
The internal control systems in place at RSSB are deemed adequate to safeguard assets and prevent fraud.	3.69	.759	High mean
The internal control systems at RSSB have proven to be effective in achieving their objectives.	3.52	.944	High mean
RSSB actively identifies and addresses weaknesses in its internal control systems.	3.44	.695	High mean
The internal control systems at RSSB are continuously improved to adapt to changing needs.	3.85	.838	High mean high mean
Internal system	3.6737	.45011	High mean

Source: Primary Data, 2023

Note: Strongly disagree=1-1.8=Very low mean; Disagree=1.81-2.60=Low mean, Neutral=2.61-3.40=Moderate mean, agree=3.41-4.20=High mean, strongly agree=4.21-5.00=Very high mean

According to the above table, the internal control system at RSSB is explained by the following: the RSSB has a strong awareness of internal control considering the mean of 3.86 which is interpreted as high mean, the internal control system at RSSB is place is deemed to help in safeguarding the assets and preventing the fraud considering the mean of 3.69 which is interpreted as high mean, the internal control system at RSSIB have effectively achieved its objectives considering the mean of 3.52 which is interpreted as high mean, the RSSB has the ability to identify and to address the weakness in its internal control systems considering the mean of 3.44 which is interpreted as high mean, and the internal control systems are continually updated and improved in relation to changing needs considering the mean of 3.85 which is interpreted as high mean. Those means in some shows that the internal control system is efficiently conducted considering the grand mean of 3.67 which is interpreted as high mean and the variability in standard deviations suggests that there is some diversity in the respondents' views on these aspects.

Finical performance of RSSB for last five years

Measuring financial performance in public institutions sometime seems to be complicated since are no lucrative organizations but the financial performance could be seen in terms of achieving some objectives financially and being self-independents in terms of finance. Below table shows in details how the organization has performed according to opinions of respondents.

Table 4: Financial performance of RSSB for last 5 years

	Mean	Std. Deviation	Interpretation
The RSSB has been appreciated by beneficiaries and shareholders	3.74	.747	High mean
There has been an increase of return on assets for last five years	3.67	.904	High mean
The financial targets set by RSSB have been all achieved in satisfactory manner	3.62	.605	High mean
The projects that were undertaken for self-financial sufficiency have been achieved	3.62	.702	High mean
Financial resources have been well allocated and there were no embezzlements	3.77	.831	High mean
Financial Performance	3.6842	.49300	High mean

Source: Primary Data, 2023

Note: Strongly disagree=1-1.8=Very low mean; Disagree=1.81-2.60=Low mean, Neutral=2.61-3.40=Moderate mean, agree=3.41-4.20=High mean, strongly agree=4.21-5.00=Very high mean

According to the above table, the financial performance at RSSB is explained by the following: the RSSB has been appreciated by beneficiaries and shareholders considering the mean of 3.74 which is interpreted as high mean, the increase of return on assets for five years considering the mean of 3.67 which is interpreted as high mean, the financial targets set by the institutions were achieved considering the mean of 3.62 which is interpreted as high mean, the projects that were undertaken for self-financial sufficiency have been achieved considering the mean of 3.62 which is interpreted as high mean, and the financial resources have been well allocated and there were no embezzlements considering the mean of 3.77 which is interpreted as high mean.

Conclusively, it is to say that the RSSB has been adequately financially performed considering the mean of 3.68 which is interpreted as high mean. Following section is about to say that if such performance is explained by internal audit standards.

CONCLUSIONS AND RECOMMENDATIONS

In conclusion, this research has delved into the critical intersection of internal audit standards and the financial performance of public institutions, with a specific focus on the Rwanda Social Security Board (RSSB). Through a comprehensive analysis of internal audit practices within the RSSB and their correlation with financial outcomes, several insights have emerged. The study revealed the pivotal role that adherence to recognized internal audit standards, such as the COSO framework and ISO 9001, plays in enhancing the governance and risk management structures within the institution. The findings underscore the importance of robust internal control mechanisms in public organizations, particularly those tasked with managing social security funds. Moreover, the research contributes to the broader understanding of how effective internal audit practices can foster financial accountability and transparency in the public sector, providing valuable implications for both the RSSB and comparable institutions.

Furthermore, this study offers actionable recommendations for the Rwanda Social Security Board based on the identified linkages between internal audit standards and financial performance. To optimize financial outcomes, it is advised that the RSSB continue its commitment to implementing and refining internal audit processes in alignment with internationally recognized standards. Strengthening these practices can lead to enhanced risk mitigation, improved governance structures, and ultimately bolstered financial sustainability. Additionally, the research advocates for ongoing collaboration between internal audit departments and other key stakeholders, fostering a holistic approach to organizational governance. As public institutions globally navigate challenges in economic climates, this study emphasizes the significance of investing in sound internal audit frameworks to ensure the long-term financial health and stability of organizations like the Rwanda Social Security Board.

Based on the findings of this study, several recommendations emerge to enhance the internal audit standards and financial performance of the Rwanda Social Security Board (RSSB). Firstly, it is crucial for the RSSB to strengthen its internal audit framework by aligning its practices with internationally recognized standards such as the COSO framework and ISO 9001. This alignment would ensure a systematic approach to risk management, internal controls, and governance, ultimately bolstering the effectiveness of the internal audit function. Additionally, investing in continuous training and professional development for internal audit staff is imperative to keep them abreast of evolving best practices and regulatory requirements. Regular assessments and audits of the internal audit processes should be conducted to identify areas for improvement and ensure compliance with established standards.

Furthermore, the RSSB should focus on improving its financial performance by implementing targeted measures. Enhancing financial reporting transparency and communication with stakeholders would foster greater trust and confidence. The establishment of key performance indicators (KPIs) tailored to the organization's strategic objectives can provide a clear benchmark for financial success. Moreover, the RSSB should explore opportunities for diversification of its investment portfolio to mitigate risks and optimize returns. Engaging with external financial experts for periodic reviews and assessments can provide valuable insights and recommendations for strategic financial management. By adopting these recommendations, the RSSB can position itself for sustained financial health and accountability, ensuring the long-term security and well-being of its beneficiaries.

Suggestions for Further Studies

In order to build upon the findings of this study on the internal audit standards and financial performance of the Rwanda Social Security Board (RSSB), several avenues for further research could be explored. Firstly, an in-depth investigation into the specific mechanisms and strategies employed by

RSSB in response to the study's recommendations would provide valuable insights into the practical implementation of suggested improvements. Additionally, a comparative analysis between RSSB and other similar social security boards regionally or globally could offer a broader perspective on best practices in internal audit and financial management within the context of social security institutions. Exploring the impact of technological advancements and digitalization on internal audit processes and financial reporting in public institutions, including the integration of artificial intelligence and blockchain technologies, could be another fruitful area for future research. Furthermore, longitudinal studies tracking the evolution of RSSB's internal audit practices and financial performance over an extended period would contribute to understanding the sustainability and effectiveness of implemented changes. Finally, examining the role of stakeholder engagement and perception in shaping the success of internal audit reforms and financial performance improvements could provide a more holistic understanding of the dynamics influencing public institutions like RSSB.

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