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## Perceived Compliance with International Standards on Auditing and Quality of Auditing

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### Abstract

*The purpose of the study was to examine the relationship between perceived compliance with ISAs and quality of auditing in Uganda. A conceptual framework was developed relating perceived compliance with ISAs with quality of auditing using reliability, relevance and degree of accuracy. A cross sectional research design was used to collect data from 103 audit partners of audit firms in Kampala out of a population of 140. Purposive and simple random sampling techniques were also used to select 133 respondents from users of audited financial information like banks, micro-finance institutions and Uganda Revenue Authority and 7 respondents from ICPAU. The findings show positive perceptions on compliance with ISAs by audit firms in Uganda, positive perceptions on the quality of auditing in Uganda by both the audit partners and users of audited financial information and a significant positive relationship between perceived compliance with ISAs and quality of auditing in Uganda. From the findings it is clear that ISAs are applicable and it is advisable that audit firms comply with ISAs so as to constantly have quality in audited financial information.*

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### Key Words

*Auditing, International Standards on Auditing, Perceived Compliance, Quality.*

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## I. INTRODUCTION

### A. Background

In a bid to enhance the quality of auditing, Professional Accountancy bodies have developed Auditing Standards. Prior to this auditors relied heavily on precedents arising from court cases. The Auditing Practices Committee of the UK was set up in 1976 after loss of public confidence in performance of audits due to failure of numerous companies in the United Kingdom and it started issuing standards in 1980 (Cosserat et al, 1995).

International Standards on Auditing (ISAs) are basic principles and essential procedures together with related guidance in form of explanatory and other material notes issued by the International Auditing and Assurance Standards Board (IAASB) to be followed by auditors in the examination of Financial Statements and expressing an opinion on them. IAASB is a standing committee of the International Federation of Accountants (IFAC) that has more than 150 member professional bodies (Foukslynch, 2003). IFAC is working towards harmonization of International Standards on Auditing and this will ensure uniformity of reporting leading to reliable decision-making across national boundaries (IOSCO, 2002)

Effective standards make the language of reporting comprehensible and responsive to users' needs, make comparisons possible and restrict the actions of those who wish to mislead or disguise. This leads to accuracy of audit reporting and reliability in decision-making (Crow et al, 2003). Auditing standards inform interested parties as to the nature of the audit process and it is hoped signals the commitment of the profession to enhancing the quality of the process. In smaller audits particularly and even certain larger audits, there is much anecdotal evidence that quality audit falls short of what is required (Cosserat et al, 1995)

Many countries, particularly developing countries, have adopted ISAs but lack regulatory and compliance practices in line with International benchmarks. Some auditing standards issued by IAASB are not designed for smaller audit firms, which will consequently struggle to apply them putting at risk global acceptance of ISAs (Gosling, 2002). The Accountants Statute of 1992 created the Institute of Certified Public Accountants of Uganda (ICPAU) to regulate the work of Accountants in Uganda. The ICPAU is a member body of IFAC and has adopted the ISAs.

Failures of businesses in which deficiencies of financial reporting and corporate disclosure have figured prominently like Enron, WorldCom, Xerox Corporation, Global Crossing, Adelphia, Royal Ahold and Health South and others worldwide have drawn far greater attention to the quality of auditing (Jamwa et al, 2002). A departure from International Accounting Standards by Kenya Airways not reported by Ernst & Young, the auditors, inflated net profits by \$ 696,000 (The East African, December 2002). Failures of commercial banks in Uganda like International Credit Bank, Greenland Bank and Cooperative bank despite having clean audit reports from the auditors; Dhadialla Associates, Mulseb and Ernst & Young respectively is another case in point (Bank of Uganda Reports, 1999, 2000).

## **B. Statement of the Problem**

Despite the application of International Standards on Auditing, the quality of auditing is questionable all over the world. Failures of businesses in which deficiencies of financial reporting and corporate disclosure have figured prominently despite clean audit reports have raised concern about the credibility of audit reports in Uganda. (Jamwa, 2002)

Despite the compliance with International Standards on Auditing, the quality of audit falls short of what is required (Cosserrat et al, 1995). Users of audited financial information including shareholders, lenders, Government, the public, etc have questioned the credibility of audited financial information. This affects investment levels and the economy of the country and therefore calls for the study.

## **C. Objectives of the Study**

- i. To find out the perceived level of compliance with ISAs in Uganda.
- ii. To find out the quality of auditing in Uganda.
- iii. To find out the relationship between perceived level of compliance with ISAs and quality of auditing in Uganda.

## **D. Conceptual Framework**

The conceptual framework draws upon the works of Crow et al, 2003 and Tondkar (1989) et al with modifications. The audit process will be very effective in achieving quality of the audit where there is compliance with International Standards on Auditing (Crow et al, 2003). It will also bring about objectivity and ease of comparison since the audit work will be done according to the same standards and guidelines. This will lead to increased accuracy of the audited financial statements (Tondkar et al, 1989).

The audited financial statements and audit reports will become more credible and reliable when it comes to decision-making by the different stakeholders (Maitin, 1994)

The quality of auditing will however be enhanced by auditor independence and integrity, regulation and level of motivation of audit staff. In carrying out this study, Auditor independence and integrity, regulation by the ICPAU and the level of motivation were held constant.

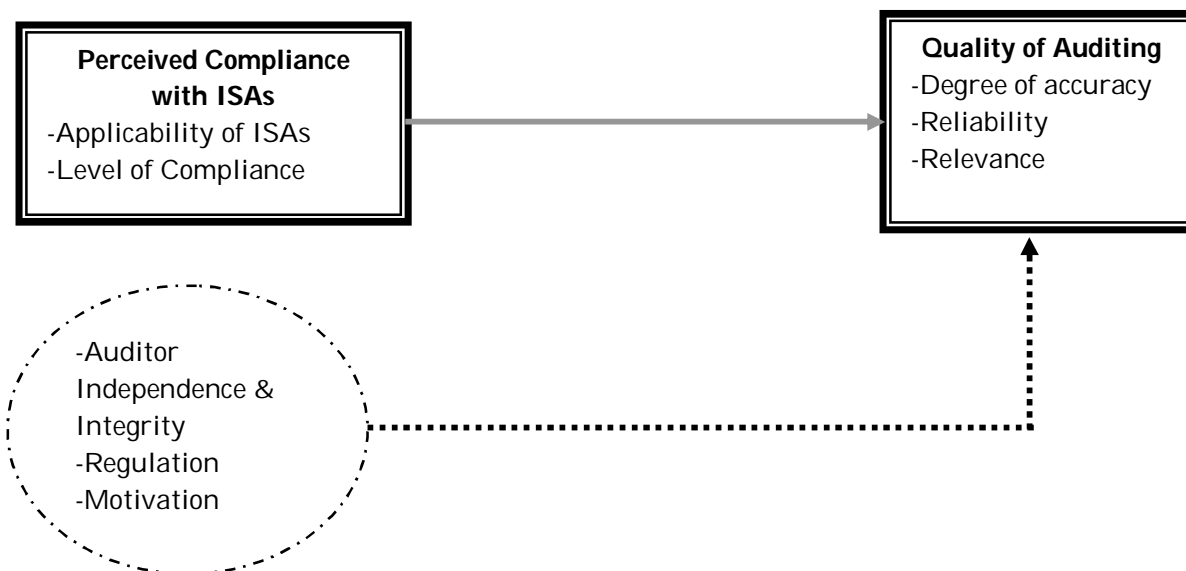


FIGURE 1: CONCEPTUAL FRAMEWORK

SOURCE: ADAPTED WITH MODIFICATIONS FROM CROW ET AL (2003), TONDKAR ET AL (1989)

## II. METHODOLOGY

### A. Research Design

The study was carried out using a cross-sectional research design in which data was gathered from different groups of the study population. It involved use of both analytical and descriptive techniques where the researcher analyzed information already available and looked at the present state of affairs.

### B. Study Population

The study focused on 140 Audit Partners from audit firms in Kampala and 156 Users of Audited financial information from Commercial banks, Micro-finance Institutions and URA. The ICPAU being the professional body directly involved with the adoption of ISAs was also part of my study.

### C. Sampling Design

The researcher used purposive method of sampling because of the nature of study, which required getting particular information from the respondents. This was applied on a sampling frame of Audit Partners of Audit firms in Kampala registered with the ICPAU and these were the key respondents. The researcher also used both purposive and simple random sampling to select respondents from banks and Micro-finance Institutions responsible for lending and those responsible for assessment of tax liability in URA from the Domestic Indirect Tax Department in

Kampala.

#### **D. Sample Size**

The study used a sample size of 243 respondents. Of these, 103 respondents were drawn from Audit Partners registered with ICPAU. 133 respondents were drawn from the Users of Audited financial information. Of these 71 were drawn from 8 banks and 3 micro-finance institutions operating in Kampala based on estimates of staff involved in credit appraisal in these institutions. 62 respondents were drawn from staff of Domestic Indirect Tax Department of URA dealing with assessment of tax liability in Kampala. 7 respondents were also drawn from the ICPAU. These were determined using Krejcie and Morgan's (1970) table for determining sample size.

#### **E. Sources of Data**

The main source of data used was primary data. Primary data was obtained from questionnaires and interviews conducted with staff of audit firms, users of audited financial information and the ICPAU. Secondary data was also obtained from journals, books and previous research done in accountancy. Newsletters of the ICPAU, ACCA Magazines, Accountants Statute (1992), Companies Act (1964) and other documentation considered useful for research were used.

#### **F. Data Collection Instruments**

The instruments used were questionnaires, interview guides and personal observation of documents and records previously collected.

### **III. FINDINGS**

#### **A. Perceived Compliance with ISAs**

Perceived Compliance was measured by applicability and level of compliance with ISAs. Applicability of ISAs means the state of making practical use of the ISAs. Compliance with ISAs means action in accordance with the requirements of ISAs.

TABLE 1: PERCEIVED LEVEL OF COMPLIANCE WITH ISAS

|                            | Positive perception (S.A & A) |      | Negative Perception (Un, D & S.D) |     | Chi-Square | d.f | p-Value |
|----------------------------|-------------------------------|------|-----------------------------------|-----|------------|-----|---------|
|                            | Freq.                         | %    | Freq.                             | %   |            |     |         |
| <b>Applicability</b>       | 83                            | 94.4 | 5                                 | 5.6 | 58.932     | 1   | 0.000   |
| <b>Level of Compliance</b> | 81                            | 92   | 7                                 | 8   | 69.841     | 1   | 0.000   |

S.A: Strongly Agree, A: Agree, Un: Uncertain, D: Disagree, S.D: Strongly Disagree

d.f : Degrees of Freedom, p-value: Probability value

Source: Primary Data

Results from Table 1 above show that respondents significantly had a positive perception on the Applicability of ISAs and Level of Compliance with ISAs in Audit firms in Uganda. Results indicate that at 99% confidence level, ISAs were applicable among audit firms in Uganda and that Audit firms complied with ISAs in Uganda. This implies further that Audit firms can make practical use of ISAs in Uganda.

From the interviews with respondents from ICPAU, the respondents also had positive perceptions about Applicability and Level of Compliance with ISAs in audit firms in Uganda.

The Applicability was looked at basing on the Organisational capacity, nature of legislation in Uganda, Training received, Public interest and awareness. Most audit firms were found to have the organizational capacity to apply ISAs because they had adequate number of staff who were well qualified with the necessary resources. From the ICPAU, however, there were many firms that were practicing accountancy without being registered and licensed. The public interest in ICPAU activities, however, was found to be low. More sensitization is needed to create general awareness about ICPAU activities and the use of ISAs. The nature of legislation in Uganda is also not very adequate for the application of standards. The 1964 Companies Act needs to be revised to cater for the changes in trends and make it more adequate for the enforcement of standards. There has also been concern raised about limitations within some of the ISAs themselves affecting their Applicability like being too general for ease of application. Nevertheless, ISAs have been found to be applicable in Uganda.

The perceptions on level of Compliance with ISAs were also found to be positive basing on level of enforcement of the standards, Nature of regulatory and compliance practices and ease and consistency of application. Much as the regulatory and compliance practices in Uganda are line with International benchmarks, there are economic and technological differences with most countries, which affect the level of Compliance with ISAs. The ICPAU is not strictly monitoring and inspecting the Audit firms because of lack of enough resources and capacity and the confidentiality that goes with auditing. The ICPAU ensures compliance by licensing accountants annually, creating awareness and disciplining members who do not follow the standards. In Uganda, we do not have an independent body responsible for the enforcement of standards apart from ICPAU which is the standard setter. In other countries, standard setting is separated from regulatory oversight, which improves compliance with standards.

Gosling (2002) and Crow et al (2003) had cast doubt about the applicability of International Standards on Auditing in developing countries. From the above discussion, is clear that much as the perceptions on Applicability and Level of compliance are positive, more has to be done to improve on the Level of Compliance with ISAs.

## **B. Quality of Auditing in Uganda**

This was measured using respondents' perceptions of Reliability, Relevance and Degree of Accuracy. Audit Partners gave their perceptions on the quality of the audit work they do and the Users of Audited financial information from Lending Institutions and Uganda Revenue Authority

gave their perceptions of Quality of Audit work.

TABLE 2: AUDIT PARTNERS PERCEPTIONS OF QUALITY OF AUDITING

|                           | Positive Perceptions<br>(S.A & A) |      | Negative Perceptions<br>(Un, D & S.D) |     | Chi-Square | d.f | p-value |
|---------------------------|-----------------------------------|------|---------------------------------------|-----|------------|-----|---------|
|                           | Freq.                             | %    | Freq.                                 | %   |            |     |         |
| <b>Reliability</b>        | 84                                | 95.5 | 4                                     | 4.5 | 33.091     | 1   | 0.000   |
| <b>Relevance</b>          | 81                                | 92   | 7                                     | 8   | 46.386     | 1   | 0.000   |
| <b>Degree of Accuracy</b> | 81                                | 92.1 | 7                                     | 7.9 | 51.432     | 1   | 0.000   |

S.A: Strongly Agree, A: Agree, Un: Uncertain, D: Disagree, S.D: Strongly Disagree

d.f : Degrees of Freedom, p-value: Probability value

Source: Primary Data

Results in Table 2 above show that the respondents had significant positive perceptions about the Quality of Auditing in Uganda. The results show that at 99% confidence level, Audited financial information was reliable, relevant and had a high degree of accuracy. This implies that the Audit Partners had a lot of confidence in the quality of their audit work.

TABLE 3: PERCEPTIONS OF QUALITY OF AUDITING BY USERS OF AUDITED FINANCIAL INFORMATION

|                           | Positive perceptions<br>(S.A & A) |    | Negative perceptions<br>(Un, D & S.D) |    | Chi-Square | d.f | p-value |
|---------------------------|-----------------------------------|----|---------------------------------------|----|------------|-----|---------|
|                           | Freq.                             | %  | Freq.                                 | %  |            |     |         |
| <b>Reliability</b>        | 99                                | 99 | 1                                     | 1  | 88.880     | 1   | 0.000   |
| <b>Relevance</b>          | 95                                | 95 | 5                                     | 5  | 103.460    | 1   | 0.000   |
| <b>Degree of Accuracy</b> | 73                                | 73 | 27                                    | 27 | 21.160     | 1   | 0.000   |

S.A: Strongly Agree, A: Agree, Un: Uncertain, D: Disagree, S.D: Strongly Disagree

d.f : Degrees of Freedom, p-value: Probability value

Source: Primary Data

Results in Table 3 above show that respondents have a significant positive perception on the Reliability, Relevance and degree of Accuracy of Audited financial information. The results show that at 99% confidence level audited financial information is reliable, relevant and has a high degree of accuracy. This implies that the users of audited financial information had a lot of confidence in the work done by Audit firms in Uganda.

The results in Table 2 and Table 3 further show that the perceptions of the Audit Partners and those of the audit firms were in agreement in relation to the quality of audited financial information. The positive perceptions on the degree of accuracy from the users of audited financial information however, were not as strong as those of the Audit partners. This implied that the users had some reservations in relation to the degree of accuracy of audited financial

information.

TABLE 4: T-TEST FOR VARIANCES IN PERCEPTIONS ON QUALITY OF AUDITING BY AUDIT PARTNERS AND USERS OF AUDITED FINANCIAL INFORMATION

|                           | Category       | N   | Mean   | Standard Deviation |
|---------------------------|----------------|-----|--------|--------------------|
| <b>Quality</b>            | Audit Partners | 88  | 4.2045 | 0.4589             |
|                           | Users          | 100 | 4.0300 | 0.3320             |
| <b>Relevance</b>          | Audit Partners | 88  | 4.1818 | 0.5580             |
|                           | Users          | 100 | 4.0900 | 0.4286             |
| <b>Reliability</b>        | Audit Partners | 88  | 4.4091 | 0.5801             |
|                           | Users          | 100 | 4.5102 | 0.5173             |
| <b>Degree of Accuracy</b> | Audit Partners | 88  | 4.1591 | 0.5443             |
|                           | Users          | 100 | 3.7300 | 0.4462             |

Results in Table 4 above show that the positive perceptions on the quality of auditing by Audit Partners were stronger than those of the users of audited financial information. (Mean of 4.2045 for Audit Partners and 4.0300 for Users of Audited financial information). The perceptions on relevance and reliability were not very different whereas the perceptions on degree of accuracy were stronger for Audit partners.

TABLE 5: T-TESTS FOR EQUALITY OF MEANS

|  | t      | df  | Sig (2-tailed) | Mean difference |
|--|--------|-----|----------------|-----------------|
| Quality (Equal variances assumed)            | 3.012  | 186 | 0.003          | 0.1745          |
| Relevance (Equal variances assumed)          | 1.273  | 186 | 0.205          | 9.182E- 02      |
| Reliability (Equal variances assumed)        | -1.263 | 186 | 0.208          | -0.1011         |
| Degree of Accuracy (Equal variances assumed) | 5.937  | 186 | 0.000          | 0.4291          |

Results from Table 5 above show that there were significant variations on the quality of auditing by both the audit partners and users of audited financial information. There were no significant variations on reliability and relevance of audited financial information whereas there were significant variations on the degree of accuracy.

The respondents from ICPAU also had positive perceptions about the quality of auditing in Uganda. From the interviews, most of them said that the audited financial information in Uganda is fairly reliable and accurate. The positive perceptions on relevance of audited financial information were very strong.

Failures of businesses in which there were financial reporting deficiencies like Enron, Worldcom, Xerox Corporation and others had drawn great attention on the quality of Auditing even in Uganda (Jamwa et al, 2002). The collapse of commercial banks like International Credit Bank, Greenland and Cooperative bank audited by Dhardialla, Mulseb and Ernst and Young even after having clean audit reports had cast doubt on the quality of Auditing in Uganda (Bank of Uganda Reports 1999, 2000).



The above findings, however, show that audited financial information in Uganda is of good quality. There are various factors that determine the quality of audited financial information. Apart from the auditing process, the accounting process will have a lot of impact on the quality of auditing.

In Uganda, not many cases have been reported of poor quality audit especially by registered accountants. The biggest challenge facing the Accounting profession is the many firms, which practice without being registered and the small number of accountants in Uganda. Most of the Accountants responsible for poor quality audit are those who are not qualified to act as accountants. Some of the Audit firms, which gave clean audit reports to collapsed banks were firms, which were not registered. The Accounting profession in Uganda is young but growing steadily and it is hoped, cases of poor audit reports will continue to lessen with time.

### **C. Relationship between perceived compliance with ISAs and Quality of Auditing**

The relationship between perceived compliance with ISAs and quality of auditing was determined by Pearson correlation coefficient. Multiple Regression Analysis was used to predict the quality of Auditing.

The relationship between Perceived compliance and quality of auditing was established by running the independent variable (Applicability of ISAs and Level of Compliance with ISAs) against the dependent variable (Reliability, Relevance and Degree of Accuracy).

TABLE 6: CORRELATION MATRIX OF PERCEIVED COMPLIANCE AND QUALITY OF AUDITING

|                      | <b>Quality</b> | <b>Reliability</b> | <b>Relevance</b> | <b>Accuracy</b> | <b>Applicability</b> | <b>Compliance</b> |
|----------------------|----------------|--------------------|------------------|-----------------|----------------------|-------------------|
| <b>Quality</b>       | 1.000          |                    |                  |                 |                      |                   |
| <b>Reliability</b>   | 0.831**        | 1.000              |                  |                 |                      |                   |
| <b>Relevance</b>     | 0.673**        | 0.362**            | 1.000            |                 |                      |                   |
| <b>Accuracy</b>      | 0.655**        | 0.390**            | 0.286**          | 1.000           |                      |                   |
| <b>Applicability</b> | 0.456**        | 0.227*             | 0.489**          | 0.476**         | 1.000                |                   |
| <b>Compliance</b>    | 0.637**        | 0.483**            | 0.524**          | 0.532**         | 0.566**              | 1.000             |

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

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

Source: Primary Data

### **D. Relationship between Applicability of ISAs and Quality of Auditing**

Results in the Correlation Matrix above indicate that there was a significant positive relationship between applicability of ISAs and the quality of audited financial information. ( $r=0.456$ ,  $p\text{-value}<0.01$ ). This implied that Applicability of ISAs contributed positively to the Quality of Audited financial information.

There was a significant positive relationship between Applicability of ISAs and Reliability of audited financial information. ( $r=0.227$ ,  $p\text{-value}<0.05$ ). This implied that Applicability of ISAs contributed positively to the Reliability of Audited financial information.

There was a significant positive relationship between Applicability of ISAs and Relevance of Audited financial information. ( $r= 0.489$ ,  $p\text{-value}<0.01$ ). This implied that Applicability of ISAs positively influenced the Relevance of Audited financial information.

There was a significant positive relationship between Applicability of ISAs and degree of accuracy of audited financial information. ( $r=0.476$ ,  $p\text{-value}<0.01$ ). This implied that Applicability of ISAs positively contributed to the degree of accuracy of audited financial information.

From the above, it is clear that the Applicability of ISAs enhances the Reliability, Relevance and degree of accuracy of Audited Financial information and therefore, Quality of Auditing in Uganda. Applicability enhances more on the relevance, followed by degree of accuracy and the Reliability.

The above findings are consistent with Norbes et al (1991), who asserted that where there is Applicability of ISAs, the audit process will be improved, the public will be aware of what is taking place and the quality of auditing will be good. This was further supported by Cosserrat et al (1995) who argued that auditing standards inform interested parties as to the nature of audit process and signals the commitment of the profession to enhancing the quality of the audit process.

The respondents from ICPAU also had positive perceptions on the existence of a relationship between Applicability of ISAs and Quality of Auditing in Uganda. Where ISAs can be put into practical use, there is no doubt that the quality of Auditing is good. According to most respondents, ISAs are clear and simple to follow but they are only minimum benchmarks, which may leave room for manouvre, which might affect the quality of Auditing in Uganda.

### **E. Relationship between Level of Compliance and Quality of Auditing**

Results in the correlation matrix show that level of Compliance with ISAs had a significant positive relationship with the Quality of Audited financial information ( $r=0.637$ ,  $p\text{-value}<0.01$ ). This implied that level of compliance with ISAs enhanced positively the Quality of Audited financial information.

There was a significant positive relationship between level of Compliance and Reliability of Audited financial information ( $r= 0.483$ ,  $p\text{-value}<0.01$ ). This implied that Compliance with ISA enhanced reliability of Audited financial information.

There was a significant positive relationship between Level of Compliance with ISAs and Relevance of Audited financial information ( $r= 0.524$ ,  $p\text{-value}<0.01$ ). This implied that Compliance with ISAs enhanced the Relevance of Audited financial information.

There was a significant positive relationship between Level of Compliance with ISAs and degree of Accuracy of Audited financial information ( $r=0.532$ ,  $p\text{-value}<0.01$ ). This implied that Compliance with ISAs enhanced the degree of Accuracy of Audited financial information.

From the above, it is clear that the Level of Compliance with ISAs enhanced the Reliability, Relevance and degree of Accuracy of Audited financial information and therefore, the Quality of Auditing in Uganda. Level of Compliance contributed more to the degree of Accuracy, followed by Relevance and then Reliability of Audited financial information.

The respondents from ICPAU also had positive perceptions on the existence of a relationship between Level of Compliance with ISAs and Quality of Auditing. The above findings are supported by Crow (2003), Jamwa et al (2002), Anthea (2003). They all asserted that ISAs make the language of reporting comprehensible and responsive to users' needs, make comparisons possible and restrict the actions of those who want to mislead or disguise.

## F. Regression Analysis

This revealed the extent to which Applicability of ISAs and level of Compliance with ISAs predicted Quality of Auditing as shown by Table 6.

TABLE 6 : REGRESSION MODEL OF PERCEIVED COMPLIANCE WITH ISAs AND QUALITY OF AUDITING.

| Model               | Unstandardised Coefficients |            | Standardized coefficients | t     | Sig.  | R <sup>2</sup> | Adjusted R <sup>2</sup> | F      | Sig.  |
|---------------------|-----------------------------|------------|---------------------------|-------|-------|----------------|-------------------------|--------|-------|
|                     | B                           | Std. Error | Beta                      |       |       |                |                         |        |       |
| Constant            | 2.060                       | 0.307      |                           | 6.721 | 0.000 | 0.419          | 0.405                   | 30.261 | 0.000 |
| Applicability       | 0.325                       | 0.080      | 0.423                     | 3.404 | 0.002 |                |                         |        |       |
| Level of Compliance | 0.427                       | 0.077      | 0.557                     | 5.550 | 0.000 |                |                         |        |       |

Dependent Variable: Quality of Auditing

Source: Primary Data

The Regression Model shows that Applicability and Level of Compliance with ISAs are linearly related to the Quality of Auditing ( $F= 30.621$ ,  $Sig=0.000$ ). Applicability of ISAs and level of Compliance with ISAs explained positively 40.5% of the total variance in the Quality of Auditing.

Applicability of ISAs significantly and positively contributed to the Quality of Auditing ( $Beta=0.423$ ,  $Sig <0.01$ ). This implied that a change in Applicability led to 0.423 positive changes in the Quality of Auditing.

Level of Compliance with ISAs significantly and positively contributed to the Quality of Auditing ( $Beta=0.557$ ,  $Sig<0.01$ ). This implied that a change in compliance with ISAs led to 0.557 positive changes in the Quality of Auditing. The Results therefore show that Perceived

Compliance significantly and positively contributes to the Quality of Auditing (40.5%).

From the results, it is clear that Level of Compliance with ISAs (Beta= 0.557) explained more of the Quality of Auditing compared to the Applicability of ISAs (Beta= 0.423)

The above findings clearly show that Applicability and Level of Compliance with ISAs can explain quality of Auditing in Uganda. These findings are supported by Harding (1998) who noted that corporate credibility is the foundation upon which investors and other stakeholders base their confidence in the future success of an enterprise. This confidence can however, be damaged by the revelation that the auditors did not comply with standards when carrying out the audit. It is further supported by Tsuguoki (2000) who noted that Compliance with ISAs is required so as to provide for an adequate level of assurance as to the credibility of financial information used in cross-border transactions.

There are a number of problems however, affecting the Applicability and level of compliance with the standards in Uganda which include;

- a) Conversion from different sets of regulation and standards given that some Accountants in Uganda have trained from different countries with different sets of standards.
- b) Lack of effective communication of standards because of limited resources.
- c) Small number of professional Accountants in Uganda
- d) Low levels of public awareness and interest
- e) Inherent problems with the standards themselves and others.
- f) The findings also indicate that there are other factors affecting the quality of Auditing in Uganda apart from Applicability and Level of Compliance with ISAs. These include;
  - g) The auditor Independence and Integrity
  - h) The ethical standards of the producers of financial information
  - i) The expectation gap of the public in relation to the responsibilities of the auditors and what the perceptions of the public of what auditors are supposed to do.
  - j) Public awareness and interest in what the auditors do
  - k) Timing of Audit Reports; the auditors might not have enough time to do quality work because of unrealistic deadlines of reporting.
  - l) The level of motivation of audit staff
  - m) Other poor Quality control measures in Audit firms.

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