
INTERNAL AUDIT AND GROWTH OF PUBLIC INSTITUTIONS

BY

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A CASE STUDY OF ONATRACOM, RWANDA

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**A RESEARCH DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF THE
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ABSTRACT

The ONATRACOM was established by the law number 08/2007 of 03/02/2007 determining the responsibilities, organization and functioning of Rwanda Public Transport Authority with function of promoting public transportation between Rwanda and other countries; participating in the implementation of the public transportation policy of Ministry in charge of transportation; perform any other activity that is directly or indirectly related to its objectives; and establish relations and collaborate with other regional and international agencies with similar attributions.

In the recent days many public institutions have been listed by general auditor for being mismanaged and are on the course of deficit. This study aimed at examining internal audit growth of public institutions, case study of ONATRACOM – Rwanda. This research was conducted as a case study using ONATRACOM in NYARUGENGE District. The study was built at four specific objectives which are to determine if internal audit lead to the business growth of ONATRACOM, to find out if achieving internal audit increases the net profit and sales of ONATRACOM, to explore if there is internal sources of funds for pursuing growth opportunities in ONATRACOM, to assess whether ONATRACOM is able to obtain external sources of funds for pursuing growth opportunities as a result of internal audit impact or not.

The findings were got from 27 respondents as the sample from the total target population of 96. Questionnaire was used as the technique to obtain primary data, while secondary data were obtained through examining the existing literature about the study. Chapter four presents the finding in form of descriptive statistical tables starting with the profile of the respondent and findings in line with the research objectives, It was found out that ONATRACOM was failure in its services because it was not achieve its targeted objectives and in this company, the internal audit was not effective in order to make performance of that company.

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DECLARATION

I declare that this work in titled “ INTERNAL AUDIT ON AND GROWTH OF PUBLIC INSTITUTIONS - A CASE OF ONATRACOM”is my own work. It has not been submitted for any degree or examination in any other higher learning institution, and that all the sources I have used or quoted have been indicated and acknowledged by complete references.

Full names Jean Paul NTEZIRYAYO

Date.....

Signature.....

CERTIFICATION

This is to certify that this proposal titled “INTERNAL AUDIT AND GROWTH OF PUBLIC INSTITUTION - ACASE OF ONATRACOM, RWANDA, has been carried out, completed and submitted by Jean Paul NTEZIRYAYO to The Faculty of Business Administration under My Guidance and Supervision.

Supervisor: MPAULO PAUL

Date.....

Signature.....

DEDICATION

To my beloved Parents;

To my beloved sister and Brothers;

ACKNOWLEDGEMENTS

I'm so thankful for the excellent lended support, for I would not have a successful work without the help of numerous gifted people backing me up.

I recognized that if God had not given me the ability and good health, I could not accomplish such success.

There is a plenty credit to go around especially to The Lord who has arranged circumstances and given me strength to accomplish this work.

I am thankful to my supervisor MPAULO PAUL, for his advises during the course of this work although they had a lot to do.

I appreciate the UCU Administration for whatever they have done for this historic achievement in completion of my degree program and facilitating students by providing mental support that has contributed to the success of this work.

I express the gratitude to the authorities of ONATRACOM, for having welcomed me to carry out the research from there and for cooperation they showed me during the process of data collection.

There are no words to express the debt of gratitude. I fill towards my Parents that supported me to complete this dissertation both morally and materially.

I thank them all.

May God bless you all for having provided support towards the accomplishment of my studies.

Jean Paul NTEZIRYAYO

LIST OF ABBREVIATIONS, SYMBOLS AND ACRONYMS

%	: Percentage
GAAS	: Generally Accepted Auditing Standards
GAAP	: Generally Accepted Accounting Principles
PA	: Performance Appraisal
PM	: Performance management
SAS	: Statements on Auditing Standards
IIA	: Institute of Internal Auditors
ISPPIA	: International Standards for the Professional Practice of Internal Auditing
DCAA	: Defense Contract Audit Agency
IRS	: Internal Revenue Service's
ISACA	: Information Systems Audit and Control Association
NGOs	: Nongovernment Organisation
OAG	: Office de l'Auditeur General
UCU	: Uganda Christian University

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CHAPTER ONE

GENERAL INTRODUCTION

1.0 Introduction

This chapter presents the preliminary elements on our topic which are the statement of the problem, the purpose of the study, specific objectives of the study, the research questions, and the scope of the study. It also states the hypotheses, the significance of the study, the conceptual framework and the definitions of key terms.

1.1 Background to the problem

Internal audit is a long-standing function and an effective tool of management in many organizations. According to Okezie,(2004)Internal Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. Internal auditing is a catalyst for improving an organization's governance, risk management and management controls by providing insight and recommendations based on analyses and assessments of data and business processes. With commitment to integrity and accountability, internal auditing provides value to governing bodies and senior management as an objective source of independent advice. Professionals called internal auditors are employed by organizations to perform the internal auditing activity. OKEZIE, 2004.

The scope of internal auditing within an organization is broad and may involve topics such as an organization's governance, risk management and management controls over: efficiency/effectiveness of operations (including safeguarding of assets), the reliability of financial and management reporting, and compliance with laws and regulations. Internal auditing may also involve conducting proactive fraud audits to identify potentially fraudulent acts; participating in fraud investigations under the direction of fraud investigation professionals, and conducting post investigation fraud audits to identify control breakdowns and establish financial loss. Internal auditors are not responsible for the execution of company activities; they advise management and the Board of Directors (or similar oversight body) regarding how to better

execute their responsibilities. As a result of their broad scope of involvement, internal auditors may have a variety of higher educational and professional backgrounds.

A company's accounting control practices (such as internal auditing) is widely believed to be crucial to the success of an enterprise as it acts as a powerful control system on the possible deviations from the predetermined objectives and policies.

Internal auditing is traditionally developed as an audit on behalf of management to ensure that:

- The existing internal controls are adequate and effective.
- The financial and other records and reports show the result of actual operations accurately and promptly.
- Each unit of the organization follows the policies and procedures as laid down by the top management.

This fact indicates the need or importance of an audit. For the limited companies, it is compulsory to have their annual accounts to be audited by the independent and qualified auditor. Sometimes income tax officials such as Rwanda Revenue Authority, bank management and lenders/creditors also require audited accounts before making any decisions.

Talking on the public institution, In general, a public institution is governed by the state and there is a board of trustees which is elected for controlling the institution. An educational public institution has its council of members to control the functioning of the educational body and the funding for the organization occurs through the tax dollars.

According to Raw, (1986), Business growth refers to a business that generates significant positive cash flows or earnings, which increase at significantly faster rates than the overall economy. A company associated with growth tends to have very profitable reinvestment opportunities for its own retained earnings. Businesses that grow are often seen in the technology industries.

The company was created in 1970s as state-owned public transport enterprise, ONATRACOM was given a social mission to operate in rural routes and other routes which the private operators cannot operate because they are not profitable.

Because of its social mission, ONATRACOM was entitled to budgetary support from the government and this would supplement the revenues from the transport services and other services for the company to continue operating as a monopoly in transport services and other services.

However, most of these services have been stripped off of ONATRACOM and it is only left with transport services. Production of car number plates has been shifted to the Rwanda Revenue Authority (RRA), vehicle technical inspection has been moved to the Rwanda National Police (RNP), repair and servicing of government vehicles is now open for competition by the owners of private garages, and management of taxi parks has been decentralized to local administration such as districts. Since 2008, the government has also cut the budget support to the company. As a result, ONATRACOM started experiencing cash flow problems in 2009. By the time the government intervened in mid-2011, the company had accumulated over Rwf2 billion in arrears to staff, suppliers, and the revenue collector.

Regarding to ONATRACOM as a case study for this research, was established by the law no 08/2007 of 03/02/2007 determining the responsibilities, organization and functioning of Rwanda Public Transport Authority. This company has a vision of promoting vehicle and ship public transportation and to make less isolated different regions of country with the aim of facilitating the population in accessing development activities as mission. The function for ONATRACOM was:

- To promote public transportation between Rwanda and other countries;
- To participate in the implementation of the public transportation policy of Ministry in charge of transportation;
- To perform any other activity that is directly or indirectly related to its objectives;
- To establish relations and collaborate with other regional and international agencies with similar attributions;

Seeking to our research topic, the main purpose of efficiency internal audit is to evaluate /assess the activities within the organization independently aimed at ensuring management efficiency and performance of the companies and also acts watch over the internal control system. It also shows the weak area for some improvement, the case of ONATRACOM were it was observed the business failures.

Through there many indicators of growth of public company such as ONATRACOM, this study will place emphases in increase of company sales profits and expansion of operations.

1.2. The Statement of the Problem

It used to be that internal auditing in the public sector served as a simple administrative procedure comprised mainly of checking accuracy of transactions, pre-payment verification and control, counting assets and reporting on past events to various types of management. But in recent times, a combination of forces has led to a quiet revolution in the profession. Governments are now moving toward higher levels of transparency and hence Public Institutions must demonstrate accountability in the use of public money and efficiency in the delivery of services. Internal audits provide a number of important services to company management. These include detecting and preventing fraud, testing internal control, and monitoring compliance with company policy and government regulation, and these services or functions of Internal Audit are intended to spearhead growth and efficiency of the Public Institutions. Unfortunately, ONATRACOM has undergone financial crisis for the last two years, despite the fact that this Public Institution procedures have been subjected to Internal Audit. It has therefore not been able to meet its commitments with most of its suppliers and lack of internal audit. This study is therefore aimed at establishing the role of internal audit towards business growth.

1.2.1. General Objective

The main aim of this study is to examine the effect of internal audit on business growth, taking the specific case study of the former Rwanda National company of public transportation otherwise known as ONATRACOM.

1.2.2. Specific Objectives

In order to achieve the above stated main objective, specific objectives are defined and from them will derive the main indicators that will help us to understand the main parameters to measure. Set specific objectives are as follows:

- (i) To find out if internal audit increases Sales and Net profit of ONATRACOM
- (ii) To assess whether internal audit has led to the expansion of ONATRACOM operations.
- (iii) To find out if internal audit related to the growth of Public Institutions.

1.2.3. Research Questions:

- Does internal audit increase the Sales and net profit of ONATRACOM?
- Has internal audit assisted the expansion of ONATRACOM operations?
- Does internal audit lead to the growth of Public Institutions?

1.3. The scope of the study

This study provides some insights on financial strength of ONATRACOM in terms of sales, profits and cash flow. Findings from the research show whether internal audit leads to the business growth of ONATRACOM and if achieving internal audit increases the net profit and sales of ONATRACOM. It will also help to understand at what extent internal and external sources of funds for pursuing growth opportunities in ONATRACOM are available and if this is linked with the effect internal audit.

1.3.1. Content Scope

The content of the scope contain the Conceptual framework develop two parts, one part encompasses the different activities of internal Audit which contributes to the business growth of Public Institutions and the other part is enhancement of advantages of good internal audit on the business growth of many public institutions, then a comparison between internal audit and business growth in any public institutions.

1.3.2. Geographic Scope

In terms of geographic coverage, this study targets ONATRACOM as a Company ltd in KIGALI-City .

1.3.3. Time Scope

As far as time is concerned, the study covered the period from 2008 to 2013. This period especially interests us because it is overlapping the clearly performance and the functions suspension of ONATRACOM in Rwanda on that our findings can be compared to the information needed in our research.

1.4. Significance of the study

The idea of this research has its genesis from our own interest about the impact of dependent internal audit on the business growth for the purpose verification of the results shown by the profit and loss account and the state of affairs as shown by the balance sheet.

Globally, it is hoped that this research will contribute in providing updated data on Fraud refers to intentional misrepresentation of financial information with the intention to deceive. And know that the Frauds can take place in the form of manipulation of accounts, misappropriation of cash and misappropriation of goods. It is of great importance for the auditor to detect any frauds, and prevent their recurrence. Errors refer to unintentional mistake in the financial information arising on account of ignorance of accounting principles.

This will be especially useful in Africa in general, Sub-Saharan Africa in particular where mismanagement in some companies is still a chronic handicap of countries' development. This will benefit the Rwandan society in general, private and public companies. This research will also continue studies from previous researches done from this specific issue.

Therefore the significance of this research lays in the hope that findings from this research project will contribute to the broad of knowledge on the impact of dependent internal audit on the business growth in different companies

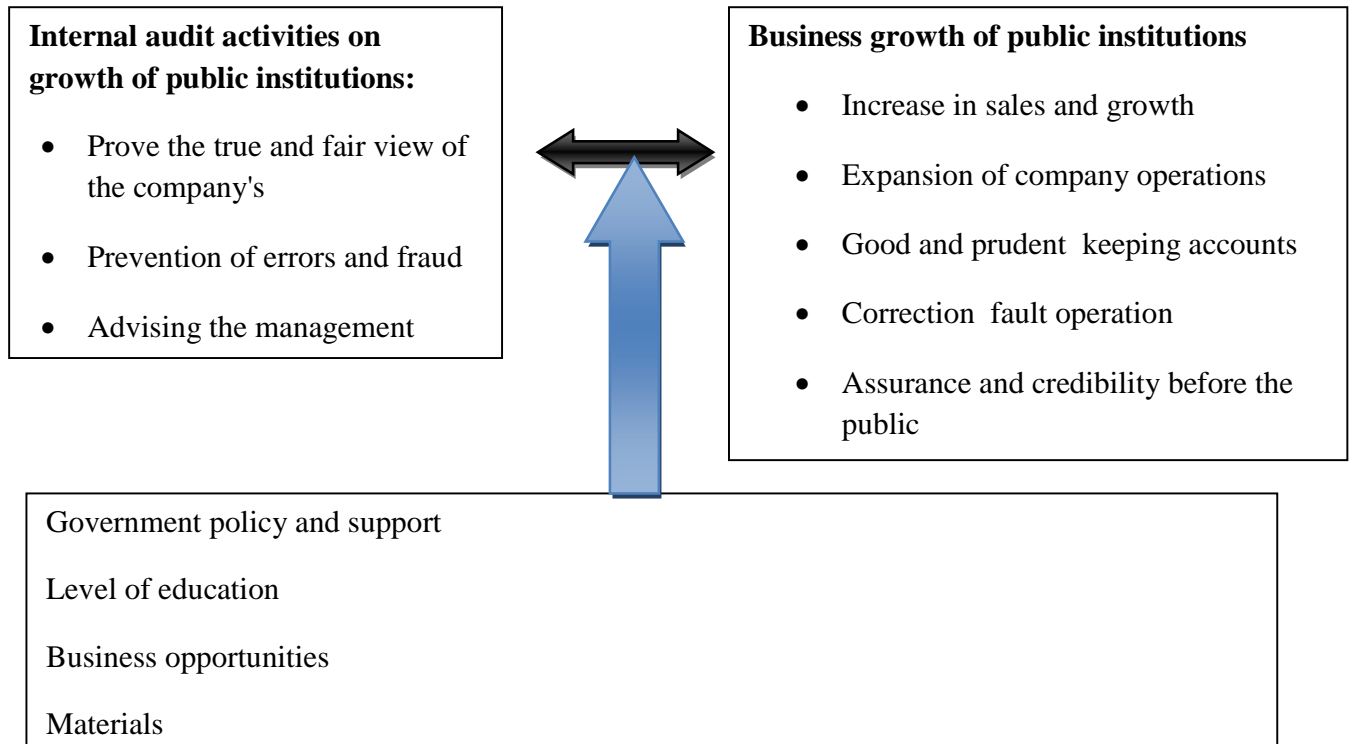
Findings from this Research Project will especially be useful for the following stakeholders: Policy makers, planers, managers and implementers will benefit from the outcome of this research project whereby it will help them find better ways of internal audit and their impact on company's performance.

1.5. Conceptual framework

The dependent variable business gross of public institutions lead to increase in sales and growth of company, expansion of company operation, improvement of good and prudent keeping of accounts can avoid disputes over profit sharing and the basis of valuation of the assets and liabilities, help in the correction of faulty operation and procedures, provide assurance and credibility before the public institution

Figure 1. Independent variables

dependent variables



The independent variable is internal audit' activities such as prove the true and fair view of the company's prevention of errors and fraud and advising the management of business in the public institution.

The dependent variable business gross of public institutions lead to increase in sales and growth of company, expansion of company operation, improvement of good and prudent keeping of accounts can avoid disputes over profit sharing and the basis of valuation of the assets and liabilities, help in the correction of faulty operation and procedures, provide assurance and credibility before the public institution. The accounts of all interested parties in the business and make the growth of institution. The moderating variables are government effort, the level of education of Auditors; business opportunity and materials used for better evaluation. Internal audit and business growth intervene between the independent and dependent variable.

Government operations cover a wide variety of work ranging from repetitive clerical tasks to complex intellectual analyses, and from manual tasks to automated operations using expensive equipment and technology. Efficiency of some operations with dissimilar outputs can be difficult to measure. Examples of such operations include planning, policy development, research, advisory support functions, administrative overhead, and project management.

CHAPTER TWO

LITERATURE REVIEW

2.0. Introduction

This chapter reviewed the theoretical and academic literature regarding internal audit presented as a summary of the existing past studies in the theoretical perspective the definition of the concepts, major theories, critical review of the literature and finally conceptual framework.

2.1. Definitions of key concepts

To better understand this scientific work, we have judged to give some definitions to key concepts about our research such internal Audit, business growth and their conceptualization, and other related key concepts.

As mentioned above, the word “audit” is derived from the Latin “audire” meaning “to hear”. For many years, auditing has generally been associated with only accounting and financial records.

According to Manasseh (2000), auditing is an independent examination of book of accounts and the voucher of the business, with a view of forming an opinion as to whether those have been kept properly according to the companies’ act and as to whether the statements drawn from the books of accounts portray a true and fair view of the company’s state of affairs at a given date.

There are also other authors who have defined “audit” in the following word:

According to mautz “Auditing is concerned by the verification of accounting data and with determining accuracy and reliability of the accounting statements and reports”.

According to dicksee “Auditing can be understood as an examination of book of account or accounting records with a view to establish whether they correctly and completely reflect the transactions but this is the end of matter because the auditor also express his opinion on the character of the statement of accounts prepared from the accounting records so examined, whether they portray a true and a fair picture”

According to Montgomery “ Auditing is a systematic examination of book of account and the records of the business in order to ascertain or verify and to report upon the facts regarding the financial operations and the results thereof”.

Auditing may be defined as examination of books, accounts and business vouchers that will enable the auditor to report whether he or she is satisfied that the balance sheet is properly drawn

upon in order to give a true and fair view of the state of affairs of the business and that the profit and loss for the financial period according to the best of information and explanation given to him and as shown by the books: and if not, to report in what respect he is not satisfied”.

According to Flint (1988), audit is a social phenomenon which serves no purpose or value except of its practical usefulness and its existence is wholly utilitarian.

Flint (1988) further explains, the audit function has evolved in response to a perceived need of individuals or groups in society who seek information or reassurance about the conduct or performance of others in which they have an acknowledged and legitimate interest. Flint (1998) argues that audit exists because interested individuals or groups are unable for one or more reasons to obtain for themselves the information or reassurance they require. Hence, an audit function can be observed as a means of social control because it serves as a mechanism to monitor conduct and performance, and to secure or enforce accountability. Mackenzie (as cited in Normanton, 1996, p. vii) in the foreword to *The Accountability and Audit of Governments* made the following remark: “Without audit, no control; and if there is no control, where is the seat of power?” All in all, an audit function plays a critical role in maintaining the welfare and stability of the society.

According to Lawrence R. Dicksee, "an audit is an examination of accounting records undertaken with a view to establishing whether they correctly and completely reflect the transactions to which they relate. In some instances, it may be necessary to ascertain whether the transactions themselves are supported by authority."

R. K. Mautz defines auditing as being "concerned with the verification of accounting data, with determining the accuracy and reliability accounting statement and reports."

It is clear from the above definitions that auditing is the systematic and scientific examination of the books of a accounts and records of a business so as to enable the auditor to satisfy himself that the Balance Sheet and the Profit and Loss Account are properly drawn up so as to exhibit a true and fair view of the financial state of affairs of the business and profit or loss for the financial period. The Auditor will have to go through various books and accounts and related evidence to satisfy himself about the accuracy and authenticity to report the financial health of the business (<http://www.businessdictionary.com/definition/Classical-Growth-Theory.htm#ixzz2Bb4CGfO>)

According to Manasseh (2000) internal auditing is an independent appraisal of activities within an organization aimed at ensuring that the management operates efficiently so as to manage the business better. Also it is a managerial tool which acts as watchdog over the company's entire internal control systems. It is a recent development in the accounting field.

Internal auditing is traditionally developed as an audit on behalf of management to ensure that:

- The existing internal controls are adequate and effective.
- The financial and other records and reports show the result of actual operations accurately and promptly.
- Each unit of the organization follows the policies and procedures as laid down by the top management.

According to Raw, Business growth refers to a business that generates significant positive cash flows or earnings, which increase at significantly faster rates than the overall economy. A growth company tends to have very profitable reinvestment opportunities for its own retained earnings. Businesses that grow are often seen in the technology industries (Raw. N.G, 1986).

Growth is a requirement for business, and we all want to grow our revenue and profitability. However, projecting growth just by extrapolating last year's numbers, or by choosing a revenue goal of where you really want to be, won't necessarily get you there. Growing your reputation, expertise and perspective will.

Generally, the term 'business growth' is used to refer to various things such as increase in the total sales volume per annum, an increase in the production capacity, increase in employment, an increase in production volume, an increase in the use of raw material and power.

These factors indicate growth but do not provide a specific meaning of growth. Simply stated, business growth means an increase in the size or scale of operations of a firm usually accompanied by increase in its resources and output (Raw. N.G, 1986)

Audit comprises an integral of the business growth. In fact, the development of business is practically impossible without an effective internal auditing because auditing maintains the reliable functioning of business, responsible work of managers and employees and effective control over performance of professionals working within an organization. At the same time, auditing should be carefully planned to meet its ultimate goals and to become a truly effective

process. To put it more precisely, planning is essential for audit because it contributes to the proper, effective organization of the auditing process.

Auditors plan their steps from the preparation of the audit, its beginning and development to meet the ultimate goals of the audit. In such a way, auditors can meet their goals through the audit planning, whereas the failure of auditors to plan the audit may lead to disastrous effects because, in such a case, the audit is not systematic and rather fragmentary than overwhelming. At this point, it is important to lay emphasis on the fact that an effective audit is possible only on the condition of the involvement of all elements and units of the organization that is being audited. Ideally, there should be no inconsistencies and no unaudited elements in the course of the audit. Otherwise, outcomes of the audit would be ineffective. Therefore, the audit planning is an essential condition of the effective audit because it allows auditors to organize the process of audit and to reach the ultimate goals of the audit at full extent.

The personality and professional skills and abilities of auditors are also of the utmost importance for the overall success of the audit. In actuality, an auditor should have a number of professional skills and personal attributes, which can help him or her to perform successfully. In this respect, it is possible to single out analytical thinking which is of the utmost importance for an auditor. Analytical thinking helps consistently to the auditing process because it maintains the effective professional performance of an auditor, preventing him or her from errors and misinterpretations of the information and data collected in the course of auditing. Organizational skills are also essential for the effective audit process. To put it more precisely, organizational skills of an auditor define his or her ability to organize the process of auditing effectively that means that the auditor will systematically conduct the audit and due to his or her analytical thinking he or she will process and analyze the information collected to make adequate and accurate conclusions about the current position of a company or organization. Boldness is a personal characteristic which helps an auditor to conduct audit and reach positive and reliable outcomes. In fact, boldness is essential for an auditor because often, in the course of auditing a large corporation, there is a risk of making an error that can undermine the reputation and position of the corporation in the market. In such a situation, an auditor should be bold enough to take decisions and make objective and accurate conclusions concerning the current position of the company, regardless of effects of his or her conclusions. In such a situation, objectivity is another characteristic a good auditor should possess to conduct auditing successfully. In this respect, it

should be said that objectivity is an essential condition of the successful work of an auditor because subjective attitude or conclusions made by an auditor may have disastrous effects for the company audited. In addition, an auditor should be able to share knowledge with his or her colleagues because, today, auditing often involves the work of a team of auditors within which it is necessary to share knowledge and information to accomplish the audit successfully. At the same time, the ability of an auditor in a team is another important ability which defines the overall effectiveness of his or her work and reliable outcomes of the audit.

A weak control environment can have a significant impact on the auditing process and its outcomes, especially if a risk-based approach is adopted. In actuality, it should be said that a weak control environment increases the vulnerability of an organization to numerous risks. At the same time, in the context of a risk-based approach to auditing, the weak control environment can make the outcomes of the audit unreliable because auditors can hardly take into consideration all risk factors the audited company is exposed to. The weak control environment cannot provide auditors with the possibility to assess adequately all the risks because they can emerge spontaneously in response to the changing business environment. Therefore, it is necessary to strengthen the control environment to define clearly all potential risk factors that can influence outcomes of the audit. Otherwise, it will be impossible to evaluate adequately the current position of the company and the risk-based approach can be ineffective in the weak control environment.

In actuality, the use of effective methods of auditing contributes to the consistent improvement of its effectiveness and reliability. In this respect, it should be said that the use of observation in the effective internal should be applied in the course of the auditing of the company's performance, including the work and productivity of employees, the effectiveness of their work and its impact on the overall company's performance. The observation helps to assess the extent to which the work of employees and organizational performance are effective and productive. In addition, it helps to reveal internal problems within the organization. The inspection is necessary to apply when the production facilities of the company are audited. In the course of inspections, auditors should notice and adequately process all the information related to the process of production. In such a way, on collecting the information on production process within the company, auditors will be able to compare it with accounting data and financial statement of any institution. The enquiry is worth applying in the course of auditing at the managerial level,

including top managerial level of the company. At this stage, it is important to collect as much information as possible and to compare and contrast information received from different managers. On analyzing this information, it will be possible to reveal the current trends in the financial and marketing position of the company, the internal atmosphere within the company and, in a way, to foresee the further development of the company in the short-run perspective. The computation should be applied when auditors are working with accounting data and financial statistics of the company. In this regard, auditors should be particularly concerned with the accuracy of the information they have collected and the information they have received from accounting and financial statement of the company. Finally, the external confirmation is worth applying when the relationship of the company with its business partners and customers is assessed.

2.2. Internal audit and expansion of business

Internal Audit is a tool of control to measure and evaluate the effectiveness of the working of an organization primarily with accounting, financial and operational matters. The job of internal audit is to ensure that the work of the company is going on smoothly, efficiently and economically and that all the laws, rules and regulations governing the operations of the organization are adhered to, besides ensuring that an effective internal control system exists to prevent errors, frauds and misappropriations (MACARIE, 2008).

Auditing in its modern concept is a systematic, intelligent, scientific, critical and thorough examination of books of accounts of the organization by an independent person or body of persons with the help of vouchers, documents, information and explanations received from the authorities, for the purpose of ascertaining whether the transactions entered in the books of accounts are genuine and have been entered with proper authority.

Internal Audit plays a pivotal role in ensuring that efficient controls are operating in all the activities, be it is liabilities or assets of an Organization. Internal Audit plays a constructive role by rendering service to the management with objective appraisal of systems, procedures, practices, compliance with policies. After enactment of Companies (Auditor's Report) Order, 2003, by the Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, which says that it is mandatory for all Companies to appoint internal auditor, if

CARO 2003 is applicable. Clause 4(vii) of CARO 2003 is applicable to listed Companies and/or other companies having a paid up capital and reserves exceeding Rs.50 Lakhs as at the commencement of the financial year concerned or having an average annual turnover exceeding Rs.5 Crores for a period of three consecutive financial years immediately preceding the financial concerned, whether the company has an INTERNAL AUDIT SYSTEM commensurate with its size and nature of its business. The Statutory Auditors are required to report under Section 227 of the Companies Act, 1956, as to whether the company has an internal audit system commensurate with the size and nature of its business. The overall objective of internal audit is to assist all members of management in the effective discharge of their functioning, by furnishing them with objective analysis, appraisals, recommendations and pertinent comments concerning the activities reviewed. The internal audit, in essence should be concerned with any phase of business activity wherein it can be of service to management.

The concept of audit has undergone a sea change and the earlier objectives, viz., “fault finding” is no more relevant or management not interested in pursuing this. Internal Audit is a diverse and specialized function in various fields of auditing. It is a tool used to detect good, bad and the ugly. Internal Audit concept is an attempt to achieve an ideal combination of financial audit, operational auditing and reviews the plans for future. The Internal Audit, to be effective should provide three types of services PPC, viz., Preventive, Protective and Curative.

- In the preventive role, it forewarns the management of an adverse situation in advance;
- It protects the management by the bringing to its notice the deficiencies in advance, before the external auditors point out; and
- As a curative function, it suggests remedial measures, thereby acting as a catalyst for change and action.

For purpose, audits objectively review and assess how well management practices and controls are performing. Audits determine the effectiveness and efficiency of these practices and controls and then make recommendations. At the request of program managers, DFATD regularly performs audits of its international development programs to help ensure effective and efficient use of its resources.

2.3. Element of business growth.

Which factors separate the best from the rest when it comes to Business Growth? This is a well debated topic but we have found there are five factors that successful companies have in common:

➤ **A strong leadership team**

Strong leadership has the ability to define a clear vision for the company. To be effective, the vision needs to be well-defined and explained in a way so people connect with it and are motivated by it.

The second major factor is appropriate involvement of leadership in leading and supporting projects that are strategic to the organization. Strategy statements are simply ineffective without a leadership team that is capable of driving the strategy home.

➤ **Hire and retain quality people**

Get the right people in the right spots with a clear and defined understanding of their priorities. If a company has the right people, they will move faster and accomplish more in the same amount of time.

➤ **Disciplined approach to their business**

They learn how to work on their business, not just in it. This involves planning and, more importantly, aligning their people to execute the business's Growth Plan.

➤ **Ability to strategically use tools**

High-performing organizations looking for Business growth give more emphasis than lower performing companies to use technology to tools to impact the business in strategic ways. Organizations that have developed a culture that figures out ways to deploy tools or technology, not for technology's sake, but to better serve their strategy will always succeed.

➤ **The wise use of trusted outside providers**

To have a growth orientated business they need a systematic way of gathering and periodically analyzing vital information about the business. Outside providers whom they trust can be invaluable to performing this kind of review of their business. High-performing businesses have learned to supplement their internal expertise by building

trusted relationships with the outsourced personnel, this allows them to cost-effectively buy the amount of expertise they need when they need it.

When venturing into a business you want to identify the most essential factors that will make your business succeed. These critical factors are usually thought out by you when you are envisioning your business and mapping out your business plan. Chances are you have probably thought of these factors and its best to think about them deeper and outline these factors. These factors will enable you to implement an action plan to carry out when starting up your business.

I am consistently asked, how do you define your critical success factors to your business? The answer is simple and it really comes down to what matters to your business? This could include sales, customers, people and/or even the product developed on your part. In the end your success factors come down to the very core values of why you are in business in the first place.

Below are some ideas (in no particular order)

- -Product Creation/ Development and Branding
- Product Research, Supply and Demand / Knowing your market audience
- Competition Research.
- Investment Capital and Cost of daily Operation /Overhead costs
- Product Distribution - Includes all kinds of sales - offline/online/telemarketing/third party sales/ affiliate sale etc
- Lead Generation and Database Management
- Customer Satisfaction and Lifetime Value of your customer
- Production and cost efficiency
- support - Online / Offline IT, Customer and Technical Support-Turnaround times and metrics
- Quality Assurance / Sales Funnel and Departmental Hierarchy
- Sales Compensation, Employee Benefits and Compensation / Employee Perks
- Customer Education and knowledge
- Recruiting and Retention Funnels, Employee Growth Paths
- Accounting and Financing
- Training Development and Coaching
- Marketing 101- Offline Online Direct Advertising and all communications

- Logistics and Inventory
- Profit Sharing and Equity
- Executive Hierarchy, Management and leadership
- Corporate Goals, Quarterly Goals and Annual Quotas
- Core Values and Mission Statement
- Accountability
- Productivity and Performance Management
- Data Analysis and Metrics
- Internal Communications and messaging
- Board of Directors/ Advisers and panel
- Strategically Planning and Market Tactics
- Business Development Funnel
- Joint Ventures and Affiliate Relations and Alliances
- Outsourcing

These are just a few of the many different business success factors that you need to focus on to accelerate your business rapidly. My advice is to focus on a few of these factors per quarter. Some companies work on 4-7 factors a fiscal year. You can't take on every single business funnel right away and need time to work on each factor thoroughly.

2.4. Internal audit on the business expansion

The previous comparison of internal auditing to external auditing considers only the external auditors' traditional role of attesting to financial statements. During the 1990s a number of the large professional service firms (the "Big 5" public accounting firms) began establishing divisions offering internal auditing services in addition to tax, financial planning, actuarial, external auditing, and management consulting. New firms also emerged offering internal auditing services but not attestation (external audits) of financial statements. Predictably, the arrival of "outside" consultants ready to do "internal" audits caused a flurry of debate about independence, objectivity, depth of organizational knowledge, operational effectiveness, and long run costs to the organization. Regardless, the trend continued throughout the rest of the decade. Initial protests gave way to acknowledgment that non-employees can indeed perform

internal audits. Orderly analyses of outsourcing's pros and cons followed. "Co-sourcing" (using outsiders for selected projects) became a useful compromise. That option provided access to an outside firm's resources while retaining a knowledgeable core of internal auditors to direct and manage co-sourced projects.

However, perceptions of impaired independence continued when public accounting firms providing opinions on financial statements also staffed the internal auditing function.

It required management to retain responsibility for internal audit scope, planning, and risk assessments and to designate a competent executive to retain responsibility for the overall internal audit function.

Internal auditing is an independent, objective assurance and consulting activity. Its core role with regard to Enterprise Risk Management is to provide objective assurance to the board on the effectiveness of risk management. Indeed, research has shown that board directors and internal auditors agree that the two most important ways that internal audit provides value to the organisation are in providing objective assurance that the major business risks are being managed appropriately and providing assurance that the risk management and internal control framework is operating effectively.

2.5. Relationship between internal audit and Business growth

A gap analysis is mainly a determination of the degree of conformance of your organization to the requirements of a specification or standard. A gap analysis is mainly a document review or a "show me the evidence" activity, evidence which usually will come in the form of a record or document. During a gap analysis, only very minor auditing is done; rather, key process owner or project stakeholders provide evidence that they have met the requirements set forth in the specification or standard (BATUDE, 1998)

An internal audit is an activity that also seeks to determine the degree to which your organization conforms to the requirements of a specification or standard or to your own organizational requirements. This audit is performed in more than one dimension, through review of documentation evidence and also by questioning employees.

An internal audit is usually conducted after development of processes (e.g., a quality management system) has been completed and some implementation has occurred. The reason is

that internal auditors will be questioning individuals to assess their knowledge of the system. If implementation is not underway, it may be hard to prove that employees are actually using the system and are knowledgeable of their roles in meeting the specification or standard or of the organization's own requirements.

As with the internal audit, the pre-assessment's objective is to seek the degree of conformance of your system to the chosen specification or standard. It can also be your green light to go for the certification audit, or maybe a yellow light if some fine tuning is necessary. The pre-assessment report will not give advice but should show if there are any nonconformities and allow the organization to close those out prior to the certification audit (BATUDE, 1998).

As with the internal audit, the pre-assessment's objective is to seek the degree of conformance of your system to the chosen specification or standard. It can also be your green light to go for the certification audit, or maybe a yellow light if some fine tuning is necessary. The pre-assessment report will not give advice but should show if there are any nonconformities and allow the organization to close those out prior to the certification audit.

Good internal audit and business are things that many small businesses hope for and they sometimes treat them as independent variables, but they are really part of the same equation that will result in success for the business. The relationship between internal audit and business growth is notable and here is some more information about how they are related.

If you want to expand your business and offer it to other people to franchise the business, you will need to have solid and strong control so that you are a good option for them when they are considering various franchise opportunities. You will also need to make sure that you have an accounting system that can be used across all the other business offices in a uniform way and that the methods used subscribe to the best accounting practices.

CHAPTER THREE

RESEARCH METHODOLOGY

Chapter Three discusses the research design and methodology comprising techniques and, sample design. Research methodology can be understood as a science of studying how research is done scientifically. In it, we study the various steps that are generally adopted by a researcher in studying his research problem along with the logic behind them. It is necessary for the researcher to know, not only the research methods/techniques but also the methodology.

For this research, qualitative and quantitative methods involving structured interviews and in-depth individual interviews will be conducted. As demonstrated by other studies, structured interviews are the best way to gain information about personal opinions of respondents.

3.1. Research technique

A technique is defined as a set of means and procedures that help a researcher to gather data and information about his research topic (GRAWITZ, 1996:169). All along our study, the following techniques will be used:

3.1.1. Documentation technique

A document refers to technique where any written materials can be used as a source of information about the subject matter. This used in the reading of some documents in which the researcher could get the information related to the research.

3.1.2. Interview technique

According to (BAILEY D. 1987), interview technique consists of giving interview to limited number of people in order to give a general idea of range.

This technique is useful since it is flexible to use. It is appropriate in studying attitudes, values, beliefs and motives of respondents.

This technique helped the researcher to make direct contact and conversation with the concerned people in this study.

3.1.3. Study design

Sampling design can be divided into two basic categories, probability and non-probability sampling. For this research the former was used. Simple Random Sampling was used ensuring that every possible set of population units has an equal chance of being selected.

While undertaking this research on “the impact of dependent internal audit on the business growth in firms, case study ONATRACOM-Rwanda”, the researcher will use different instruments in collecting data in order to make it more certain and reliable. These are documentation, questionnaire, observation and interview. The selection of these tools is determined, interpreted (BELL ET AL., 2007), by the nature of data collected, the time available as well as by the objectives of the study.

3.1.3.1 Area and population

The target area for this Research Project is ONATRACOM firms in Kigali City, republic of Rwanda. Our primary target population will consist of beneficiaries of ONATRACOM. The study will also target stakeholders as key informants.

3.1.3.2. Sample technique

This technique helped us to formulate the sample to be studied during our research.

According to JAVAUX (1976:65), the sample is “all persons to be interviewed, from a larger population called parent population, population reference or simply the parent population.” To determine a sample, ALAIN BOUCHARD states that when the population being investigated is less than or equal to one million people, it is made to match a sample of 96 individuals with margin of error of 10%.

However, to make a distribution of respondents in their business activities, the formula proposed by ALAIN BOUCHARD was used as follows:

$$nc = \frac{n}{1 + \frac{n}{N}}$$

$$Sonc = \frac{n}{1 + \frac{n}{N}} = \frac{n}{\frac{N+n}{N}} = n \cdot \frac{N}{N+n} \Rightarrow nc = \frac{N \times n}{N+n}$$

Where:

N: is the size of the study population, actors in business in Nyabugogo area

n : is the sample size for a universe.

nc : is the sample size or sample to determine correct.

$$\text{So } nc = \frac{30}{1 + \frac{30}{96}} \Rightarrow nc = \frac{96 \times 30}{96 + 30} = 27.3 \approx 27 \text{ Respondents}$$

3.1.4. Questionnaire technique

DORSELEAR (1985:60) defines a questionnaire as a list of questions to be answered by the survey respondents

The researcher will set up written questions and distribute them to the concerned selected sample, so that they can give their own opinions and then it is up to the researcher to make a conclusion basing on their opinions. This technique helps the researcher to quantify different data to get a clear picture on the topic of the study.

3.2. Research methods

A method is a set of intellectual operations which enable to analyze, understand and explain a given reality or fact. (GRAWITZ, 1996: 341).

Then it is a collection of steps which put together in a logical manner a purpose of achieving a given objective. These are the methods that were used in order to reach the successful results. Among these methods it included the following:

3.2.1. Historical methods

According to GRAWITZ (2000, p. 207), this method used to analyze the evolution of given period and the events which has been characterized that period. This will be used in order to know how internal audit are contribute in the development of business companies.

3.2.2 Statistic method

The statistic method helps to quantify and to number the results of a research. Then it allows us to present the results through graphics and tables. RWIGAMBA (2000:23)

This method helped the researches to present results with tables and interpreting the results of our survey basing on mathematical data, thus table, and figures.

3.2.3. Analytical methods

Analytical method consists in analyzing systematically all the collected data. It emphasizes on dealing with each case on its own. (GRAWITZ 2001:482). In this study, the analysis will be more focused on the contribution of internal audits in the development of local business companies.

3.3. Organization of the study

This study will be presented in four chapters. It starts with an introduction presenting the significance of the study, its scope, the problem statement as well as hypothesis and the objectives of the study, methods and techniques used and then the organization of the study; which is the first chapter. The second chapter is constituted by literature review; The third chapter will be concerning with the methodology to be used and the final chapter-Fourth chapter will focus on data analysis, presenting findings and presenting the general conclusion and recommendations.

3.4. Outcomes

After the research, the readers will get the image perception of the business firms on the internal auditors and this research will recommend the managers of business firms how they can explore the internal auditors and their contribution to the development of business companies.

This research will analyze the performance of internal auditors in the business companies especially for the entrepreneurs.

This research will analyze the statistics of the internal auditors within the business companies.

Partial conclusion

Chapter Three discussed the methodology to be used in this study including research design and methodology comprising target area and population, sample design, data collection and analysis. It also presented the bases for the sample size of our findings and exposed the ethical consideration aspect of the study.

Considering the rigor of the methodology used whether in sampling, collecting data, selecting respondents and data processing and analysis, can conclude without being mistaken that the findings of this results are valid and generalizable to the total population.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1. Introduction

This chapter presents the findings from primary data presented in form of descriptive statistical tables. It is necessary for every business depends on its size, to have auditors who will audit its books of accounts, services delivery and financial statements. The findings from the field show that ONATRACOM helped its customers to get a satisfied service without worse off its employees in order to accumulate its performance and to contribute on Rwandan economic growth.

4.2. Presentation of finding

The researcher presented the profile of the respondents in general and the findings are presented in tables.

4.2.1 Gender of respondents

The researcher presented the profile of the respondents in terms of gender are presented in following table.

Table 1. Gender of respondents

		Mean	Percent	Valid Percent	Standard deviation
Valid	Male	15	55,6	55,6	55,6
	Female	12	44,4	44,4	100,0
	Total	27	100,0	100,0	

Source: Primary data, 2014

Table 1 show that 44.4% of the respondents are female and 55.6 % of the respondents are male. This indicates that the majority of ONATRACOM clients are male. This can be attributed to the

fact that ONATRACOM was founded by government so that they can be empowered and promoted in generating income to become self-sufficient as well as to improve Rwandan living conditions in transports in general.

4.2.2. Category of respondents

The researcher presented the profile of the respondents in terms of category are presented in following table.

Table 2. Category of respondents

	Mean	Percent	Valid Percent	Standard deviation
Valid Former ONATRACOM Manager	3	11,1	11,1	11,1
Former ONATRACOM Employee	1	3,7	3,7	14,8
Private transporter	7	25,9	25,9	40,7
Public Sector transporter	3	11,1	11,1	51,9
Private sector driver	3	11,1	11,1	63,0
Public sector driver	2	7,4	7,4	70,4
Regular traveler	3	11,1	11,1	81,5
Current Public Transport Industry Manager	5	18,5	18,5	100,0
Total	27	100,0	100,0	

Source: Primary data, 2014

The results from table 2 shows that 11.1% of the respondents are Former ONATRACOM Manager, Public sector transporter, Private sector driver and Regular traveler; 3.7% of respondents are in the category of former ONATRACOM Employee, 25.9% are in the category

of private transporter, 7.4% are in the category of public sector driver and 18.5% of the respondents are in the category of current public industry Manager, this indicates that the clients of ONATRACOM are mainly in the category of private transporter.

4.2.3. Hearing of respondents about ONATRACOM

The researcher presented the profile of the respondents in terms of hearing ONATRACOM are presented in following table.

Table 3.Views of respondent who have ever heard of ONATRACOM

	Mean	Percent	Valid Percent	Standard deviation
Valid Yes	27	100,0	100,0	100,0

Source: Primary data, 2014

The above table indicates that all respondents said that they have ever heard of ONATRACOM the rate of 100%. This shows that government was make more effort to sensibiliser on public the activities of that company accordingly and mobilize people to deal with it.

4.2.4. Knowledge of respondents about ONATRACOM

The researcher presented the profile of the respondents in terms of knowledge of a company are indicated in following table.

Table 4. Views of respondents on how they did know ONATRACOM

	Mean	Percent	Valid Percent	Standard deviation
Valid Worked with it	8	29,6	29,6	29,6
Traveled with it	19	70,4	70,4	100,0
Total	27	100,0	100,0	

Source: Primary data, 2014

The above table indicates that all respondents said that they were known ONATRACOM by working with it at the rate of 29.6% while others were known this company by traveling with it at the rate of 70.4%. This shows that staffs of ONATRACOM make more effort to give services on its clients at the beginning.

4.2.5. Living or working of respondents

The researcher presented the profile of the respondents where they live or work are presented in following table.

Table 5. Responses views according the place they live or work

	Mean	Percent	Valid Percent	Standard deviation
Valid In Kigali City	18	66,7	66,7	66,7
Outside Kigali City in rural Rwanda	8	29,6	29,6	96,3
Outside Kigali City in another	1	3,7	3,7	100,0
Total	27	100,0	100,0	

Source: Primary data, 2014

The above table indicates that the majority of respondents said that they live or work in Kigali city at the rate of 66.7% while 29.6% of respondents live or work outside of Kigali city in rural Rwanda and 3.7% of respondents live or work outside of Kigali city in other areas (abroad).

4.2.6. Job of respondents

The researcher presented the profile of the respondents in terms of Jobs are presented in following table.

Table 6. Job of respondents

	Mean	Percent	Valid Percent	Standard deviation
Valid No job	1	3,7	3,7	3,7
Civil Servant	8	29,6	29,6	33,3
Private Sector worker	15	55,6	55,6	88,9
Other	3	11,1	11,1	100,0
Total	27	100,0	100,0	

Source: Primary data, 2014

The above table indicates that the majority respondents said that they worked in private sector at the rate of 55.6%, the 29.6% of them are worked in civil servant but 1 people which equaled to 3.7% had no job then 11% of respondents worked in other services like auditors and local leaders who live in the place where ONATRACOM installed its activities.

4.2.7. The main reasons why public companies often fail

The researcher presented the findings in the respondents for the reason why public companies are often failed the results are presented in following tables.

Table 7. The respondents views on why public companies often fail

	Mean	Percent	Valid Percent	Standard deviation
Valid Poor Management	8	29,6	29,6	29,6
Culture of Corruption	6	22,2	22,2	51,9
Bad governance	11	40,7	40,7	92,6
Competition with private sector operators	2	7,4	7,4	100,0
Total	27	100,0	100,0	

Source: Primary data, 2014

The results presented in table 7 shows that the views of respondents told a researcher that the source of fail of public companies are poor management at the rate of 29.6%, culture of corruption at the rate of 22.2%, bad governance at the rate of 40.7% and competition with private sector operators at the rate of 7.4%. This means that in general, public companies fail because of bad governance and poor management in different services.

Table 8. Responses' opinion on how internal Audit contribute to private companies' success

	Mean	Percent	Valid Percent	Standard deviation
Valid Yes	27	100,0	100,0	100,0

Source: Primary data, 2014

The above table indicates that all respondents viewed that internal audit can contribute to the success of private company because they responded at 100%. This means that the effectiveness of internal audit can contribute to the performance of different companies in good condition.

Table 9. Responses' reasons on how internal Audit contribute to private companies' success

	Mean	Percent	Valid Percent	Standard deviation
Valid It helps to identify mistakes	9	33,3	33,3	33,3
Gives recommendations	10	37,0	37,0	70,4
Helps restructuring procedures	8	29,6	29,6	100,0
Total	27	100,0	100,0	

Source: Primary data, 2014

As shown in the table 9, all respondents gave the reasons on how internal audit can contribute to the success of private companies because they responded that internal audit can help to identify mistakes at 33.3%, gives the recommendations at 37% and it can help to restrict procedures at 29.6% within company.

4.2.8. The opinions of respondents on ONATRACOM's failure

The researcher presented the findings in the respondents for the reason why ONATRACOM fail and the results are presented in following tables.

Table 10. The origin of ONATRACOM's failure

	Mean	Percent	Valid Percent	Standard deviation
Valid Yes	27	100,0	100,0	100,0

Source: Primary data, 2014

The results indicated in the above table shows that all respondents declared the failing of ONATRACOM at 100%. This means that the indicators that the respondents gave to the

researcher as sources of that failing are poor management, culture of corruption, bad governance, nepotism or favouritism between employees and managers, culture of impunity, lack of innovation and competition with private sector operators which are included in daily activities within that company.

Table 11. The specific management mistakes do you think led to overall failure

	Mean	Percent	Valid Percent	Standard deviation
Valid Funds mismanagement	4	14,8	14,8	14,8
Nepotism	8	29,6	29,6	44,4
Lack of transparency	6	22,2	22,2	66,7
Poor procedures	4	14,8	14,8	81,5
Bad financial management	5	18,5	18,5	100,0
Total	27	100,0	100,0	

Source: Primary data, 2014

The table 11 presents that the respondents' opinions, they think that the specific management mistakes which led to ONATRACOM's failure are fund mismanagement at the rate of 14.8%, Nepotism at the rate of 29.6%, lack of transparency at the rate of 22.2%, poor procedures at 14.8% and bad financial management. This means that there is no effectiveness of ONATRACOM in its services to its beneficiaries.

Table 12. The quality ONATRACOM's internal audit

	Mean	Percent	Valid Percent	Standard deviation
Valid Auditors are not independent	7	25,9	25,9	25,9
Auditors often don't care about companies	12	44,4	44,4	70,4
There is conflicts of interests	4	14,8	14,8	85,2
There is no transparency in recruitment	4	14,8	14,8	100,0
Total	27	100,0	100,0	

Source: Primary data, 2014

The above table indicates that the quality of internal audit in ONATRACOM are very poor because the views of respondents show that auditors are not independent in that company at 25%, 44.4% of respondents viewed that auditors do not care about companies, 14.8% of them said that there is conflicts of interest within that company and there is no transparency in recruitment. This means that the internal audit in ONATRACOM is ineffective according to the views of respondents.

4.2.9. The opinions on some of malpractices of ONATRACOM’s staff members

The researcher presented the findings in the respondents for the opinions on some of malpractices of ONATRACOM’s staff members and the results are presented in following tables.

Table 13. Views of respondents about ONATRACOM that had poor and corrupted management

	Mean	Percent	Valid Percent	Standard deviation
Valid Indifferent	5	18,5	18,5	18,5
Agree	11	40,7	40,7	59,3
Strongly agree	11	40,7	40,7	100,0
Total	27	100,0	100,0	

Source: Primary data, 2014

According to the table 13 shows that 11 of the respondents agreed and strongly agreed that there is poor and corrupted management as indicated by 40.7% of the respondents and 5 of the respondents are indifferent or are in ambiguous about that opinion as indicated by 18.5%. The respondents revealed that they have more adequate information about that case which led to the failure of ONATRACOM.

Table 14. Most of ONATRACOM drivers and conductors had the culture of siphoning fuel out of buses and reselling it on underground market

	Mean	Percent	Valid Percent	Standard deviation
Valid Agree	15	55,6	55,6	55,6
Strongly agree	12	44,4	44,4	100,0
Total	27	100,0	100,0	

Source: Primary data, 2014

According to the table 14 shows that 15 of the respondents agreed that most of ONATRACOM's drivers and conductors had the culture of siphoning fuel out of buses and reselling it on underground market as indicated by 55.6% of the respondents and 12 of the respondents are strongly agree about that opinion as indicated by 44.4%. The respondents revealed that they have more adequate information about that case which led to the failure of ONATRACOM.

Table 15. Most of ONATRACOM drivers and conductors had the culture of pocketing bus fares for which they didn't issue tickets

	Mean	Percent	Valid Percent	Standard deviation
Valid Disagree	7	25,9	25,9	25,9
Indifferent	8	29,6	29,6	55,6
Agree	12	44,4	44,4	100,0
Total	27	100,0	100,0	

Source: Primary data, 2014

According to the table 15 shows that 12 of the respondents agreed that most of ONATRACOM drivers and conductors had the culture of pocketing bus fares for which they didn't issue

tickets as indicated by 44.4% of the respondents and 8 of the respondents are indifferent or are in ambiguous about that opinion as indicated by 29.6%. The respondents revealed that they have more adequate information about that case which led to the failure of ONATRACOM.

Table 16. ONATRACOM used to vandalizing vehicles for parts

		Mean	Percent	Valid Percent	Standard deviation
Valid	Indifferent	14	51,9	51,9	51,9
	Agree	13	48,1	48,1	100,0
	Total	27	100,0	100,0	

Source: Primary data, 2014

According to the table 16 shows that 13 of the respondents agreed that ONATRACOM used to vandalizing vehicles for parts as indicated by 48.1% of the respondents and 14 of the respondents are indifferent or are in ambiguous about that opinion as indicated by 51.9%.

Table 17. ONATRACOM often couldn't pay its suppliers

		Mean	Percent	Valid Percent	Standard deviation
Valid	Disagree	7	25,9	25,9	25,9
	Indifferent	7	25,9	25,9	51,9
	Agree	13	48,1	48,1	100,0
	Total	27	100,0	100,0	

Source: Primary data, 2014

According to the table 17 shows that 13 of the respondents agreed that ONATRACOM often couldn't pay its suppliers as indicated by 48.1% of the respondents and 7 of the respondents are

indifferent or are in ambiguous and same as disagree about that opinion as indicated by 25.9% for both cases. The respondents revealed that they have more adequate information about that case which led to the lack of confidence of supplies to ONATRACOM.

Table 18.ONATRACOM had the culture of ripping its partners

	Mean	Percent	Valid Percent	Standard deviation
Valid Disagree	11	40,7	40,7	40,7
Indifferent	16	59,3	59,3	100,0
Total	27	100,0	100,0	

Source: Primary data, 2014

According to the table 13shows that 16 of the respondents are indifferent or are in ambiguous about that opinionfor the culture of ripping its partnersas indicated by 59.3%.

Table 19. Staff salaries were not paid on time leading to staff misconduct like theft

	Mean	Percent	Valid Percent	Standard deviation
Valid Indifferent	7	25,9	25,9	25,9
Agree	13	48,1	48,1	74,1
Strongly agree	7	25,9	25,9	100,0
Total	27	100,0	100,0	

Source: Primary data, 2014

According to the table 19 shows that 11 of the respondents agreed that Staff salaries were not paid on time leading to staff misconduct like thefts indicated by 48.1% of the respondents and 7 of the respondents are indifferent or are in ambiguous same as strongly agree about that opinion as indicated by 25.9%. The respondents revealed that they have more adequate information about that case which led to the nonperformance of ONATRACOM.

Table 20. ONATRACOM had leaky procurement processes

		Mean	Percent	Valid Percent	Standard deviation
Valid	Indifferent	14	51,9	51,9	51,9
	Agree	13	48,1	48,1	100,0
	Total	27	100,0	100,0	

Source: Primary data, 2014

According to the table 20 shows that 13 of the respondents agreed that ONATRACOM had leaky procurement processes as indicated by 48.1% of the respondents and 14 of the respondents are indifferent or are in ambiguous about that opinion as indicated by 51.9%. The respondents revealed that they have more adequate information about that case which led to the decreasing of growth of ONATRACOM.

4.3 Summary of data analysis

The data presented and interpreted was got from primary source and was gathered by the questionnaire. The data includes the profile of the respondent that is the gender and finally the data in line with the research objectives.

The results showed that the views of respondents told a researcher that the source of fail of public companies are poor management at the rate of 29.6%, culture of corruption at the rate of 22.2%, bad governance at the rate of 40.7% and competition with private sector operators at the rate of 7.4%. All respondents declared the failing of ONATRACOM at 100%.

This means that the indicators that the respondents gave to the researcher as sources of that failing are poor management, culture of corruption, bad governance, nepotism or favouritism between employees and managers, culture of impunity, lack of innovation and competition with private sector operators which are included in daily activities within that company.

The table 11 presents that the respondents' opinions, they think that the specific management mistakes which led to ONATRACOM's failure are fund mismanagement at the rate of 14.8%, Nepotism at the rate of 29.6%, lack of transparency at the rate of 22.2%, poor procedures at 14.8% and bad financial management.

The table 12 indicates that the quality of internal audit in ONATRACOM are very poor because the views of respondents show that auditors are not independent in that company at 25%, 44.4% of respondents viewed that auditors do not care about companies, 14.8% of them said that there is conflicts of interest within that company and there is no transparency in recruitment. This means that the internal audit in ONATRACOM is ineffective according to the views of respondents.

According to the views of respondents, 11 of the respondents agreed and strongly agreed that there is poor and corrupted management as indicated by 40.7% of the respondents and 5 of the respondents are indifferent or are in ambiguous about that opinion as indicated by 18.5%. 15 respondents agreed that most of ONATRACOM's drivers and conductors had the culture of siphoning fuel out of buses and reselling it on underground market as indicated by 55.6% of the respondents. 12 respondents agreed that most of ONATRACOM drivers and conductors had the culture of pocketing bus fares for which they didn't issue tickets as indicated by 44.4% of the respondents.

According to the table 17 shows that 13 of the respondents agreed that ONATRACOM often couldn't pay its suppliers as indicated by 48.1% of the respondents. The respondents revealed that they have more adequate information about that case which led to the lack of confidence of supplies to ONATRACOM.

According to the table 19 shows that 13 of the respondents agreed that Staff salaries were not paid on time leading to staff misconduct like theft as indicated by 48.1% of the respondents and 7 of the respondents are indifferent or are in ambiguous same as strongly agree about that opinion as indicated by 25.9%. According to the table 20 shows that 13 of the respondents

agreed that ONATRACOM had leaky procurement processes as indicated by 48.1% of the respondents and 14 of the respondents are indifferent or are in ambiguous about that opinion as indicated by 51.9%. Basing on the above results, a research conclude that the main objective which assessed the impact of dependent internal audit on business growth taking the specific case study of the former Rwanda National company of public transportation otherwise known as ONATRACOM is not confirmed and not verified.

CHAPTER FIVE

DISCUSSION OF RESULTS

5.1 Introduction

The previous chapter was concerned with analysis presenting and interpreting data got from employees and passengers of ONATRACOM. This chapter therefore is concerned with finding out why the company has failed to achieve to its goals.

5.2 Discussion

The discussion section is sub-divided into sub-sections that originate from the objectives of the study and a Research Questions. The researcher discussed the findings of the study in guidance with the research Questions of the study as witnessed below:

5.2.1 Discussion of Results on research question one

The research question which originated from the objectives of the study that: Does internal audit increase the sales and net profit of ONATRACOM? The information from the data analysis showed that the failure of the company to grow is due to poor management at the rate of 29.6%, culture of corruption at the rate of 22.2%, bad governance at the rate of 40.7% and competition with private sector operators at the rate of 7.4%. All respondents declared the failing of ONATRACOM at 100%. Bad governance is rate at the high level as the cause of failure to expand; it is also in the same basket with many other factors which might cause the failure of the company to compete and achieve to the targeted objectives; internal audit as part of management team was supposed to advice the senior team on how to improve the quality of the service and compete with many other transport companies.

5.2.2 Discussion of results on research question two

Research question two stated that internal audit assist the company for the expansion of the business; the question is: Has internal audit assisted the expansion of ONATRACOM operations?

Internal audit plays a big role for senior management, a solid and constructive relationship with senior management is also critical for effective functioning of the internal audit activity. Thus,

senior management can support internal audit by giving them specific input (requests), which often reflects high-risk areas or important business opportunities. Furthermore, different levels of management, including senior management, should commit to providing prompt responses to recommendations from internal audit, to monitoring the implementation of action plans, and to keeping internal audit informed of plans, of changes to the risk and internal control profile of the organization, and of major changes to the organization's policies and procedures. The above statement was opposite in the management of ONATRACOM; different mistakes were done by senior team and the support team; that is the reason according to the table 20; 13 of the respondents agreed that ONATRACOM had leaky procurement processes as indicated by 48.1% of the respondents, and 14 of the respondents are indifferent or are in ambiguous about that opinion as indicated by 51.9%. The respondents revealed that they have more adequate information about that case which led to the decreasing of growth of ONATRACOM.

Bad governance was the main reason of the failure of the company, it is rated at 40.7% as the main reason. What does it mean? It means that even if the company has the internal audit department but the management of the company has not understood the recommendation from that department.

5.2.3 Discussion of results on research question three

This research question originated from the research question which started that: Does internal audit lead to the growth of public Institutions? It was expected that the new private management is expected to turnaround Onatracom given the growth opportunities that the Rwandan transport sector offers.

According to the table 17 shows that 13 of the respondents agreed that ONATRACOM often couldn't pay its suppliers as indicated by 48.1% of the respondents. And according to the table 19 shows that 13 of the respondents agreed that staff salaries were not paid on time leading to staff misconduct like theft as indicated by 48.1% of the respondents. A cursory examination of the company's operations for the past few years reveals that a culture of corruption, petty larceny, indifference, very poor management in general, are what have brought it low. The firm is one of the worst government-run institutions in the country.

Poor and corrupt management bred even more corruption and theft of company property. Over a period of time ONATRACOM could not pay employee salaries. Sometimes employees would be owed salary arrears of four months or more. A former ONATRACOM driver, Jean d'Amour

Rugira who left the company in frustration three years ago told the researcher that some drivers and conductors made it a practice to react by tapping fuel out of buses and selling it on the underground market. Others would simply pocket bus fares for which they did not issue tickets. According to the table 20 shows that 13 of the respondents agreed that ONATRACOM had leaky procurement processes as indicated by 48.1% of the respondents and 14 of the respondents are indifferent or are in ambiguous about that opinion as indicated by 51.9%.

ONATRACOM, which is a government-owned company that gets no subsidies from government (it is quasi private and supposed to be self-sustaining and unlike other state-owned institutions receives no budget from the government with the exception that it is the government that gives it buses) kept itself “afloat” mostly by ripping off suppliers: fuel and lubricants suppliers, spare parts suppliers, repair bills and reneging on paying for a various other expenses. At one time, the outside of the ONATRACOM accountant offices would resemble a market place.

One result is that since Onatracom cannot afford all the spare parts it may need, buses that develop even simple mechanical faults are parked in the company’s huge compound at Biryogo.

Basing on the above results, a research conclude that the main objective which assessed the impact of dependent internal audit on business growth taking the specific case study of the former Rwanda National company of public transportation otherwise known as ONATRACOM is not confirmed and not verified.

CHAPTER SIX

SUMMARY CONCLUSION, AND RECOMMENDATION

6.1. Introduction

This chapter presents the conclusion which is drawn from the major finding and the entire research, on considering the major findings and the general conclusion; some recommendations are put forward by the researcher.

6.2. Conclusions

The study aimed at examining impact of internal audit on the business growth of public institution, case study of ONATRACOM. This research was conducted as a case study using ONATRACOM in NYARUGENGE District. The study was built at four specific objectives which are to determine if internal audit lead to the business growth of ONATRACOM, to find out if achieving internal audit increases the net profit and sales of ONATRACOM, to explore if there is internal sources of funds for pursuing growth opportunities in ONATRACOM, to assess whether ONATRACOM is able to obtain external sources of funds for pursuing growth opportunities as a result of internal audit impact or not.

Data was collected by the questionnaire as the main data collection instrument. The findings were got from 27 respondents as the sample from the total target population of 96. It was found out that ONATRACOM was failure in its services because it was not achieve its targeted objectives and in this company, the internal audit was not effective in order to make performance of that company.

6.3. Recommendations

After analyzing the finding and the general conclusion of the study, the researcher came up with these recommendations.

The government should revise the regulatory system governing transport companies as this can help increasing their capacity following the role they play in enhancing it performance.

Government professionalize public transport industry, exonerate it from taxes, from its operations in rural areas, tight ling control all operation, Total privatize it and add more funds for operations

Reform in public transport system-The existing public transport service providers are currently operating in the cities and in Kigali city and they have ignored the village and surrounding region; the reforms in public transport is required with the purpose of facilitating the registered companies to operate in different remote areas and also train their staff on the management of companies.

ONATRACOM should encourage its clients, employees and other partners to own them the satisfied services as this can solve the challenge of lack of effectiveness of services since when they are together one can work as a security to another.

Auditors of ONATRACOM should be independent, and avoid nepotism in their daily activities which led to the performance of such company.

6.4. Suggestion for further research

The study was not exhaustively handled; this implies that more on the topic area and related field need to be examined, with that note these topics are suggested for further research.

Assess the effect of transport companies on economic welfare of the Rwandans.

Analysis of transport companies in self development of the beneficiaries

Transport companies and socio-economic development of Rwanda

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APPENDIX

SURVEY QUESTIONNAIRE

Questionnaire Number:

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Numero y'ifishi

Date of Survey:

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Itariki y'ibarura
Day Month Year

Introduction *[This information must be read to the respondent]*

Hello, my name is: _____

I am doing my Research Project to be submitted in partial fulfillment of the requirement for the award in Master's Degree to be submitted to _____ University.

If you agree, I would like to ask you some questions. Your answers to these questions will be kept strictly confidential so that no one will know your answers. Not even your name will be written on this questionnaire.

The interview will last about 15 minutes. Your participation will greatly contribute to our understanding of the Impact of Internal Audit on ONATRACOM's operations.

If you accept, I would like to start. Thank you.

Intangiro [*ibi bisomerwa ugiye gusubiza*]

Mwiriwe/mwaramutse; nitwa _____
ndigukora ubushakashatsi buzamfasha kurangiza amashuri yanjye y'ikiciro cya gatatu cya kaminuza, buzatangwa mw'ishuri rya _____.

Niba mubyemera; nifuzaga kubabaza bimwe mubibazo mfite. Ibisubizo byawe nizabikwa mwibanga kuburyo nta numwe uzamenya ibisubizo byawe. Nizina ryawe ntirandikwa kuri iyifishi y'ubushakashatsi.

Ibibazo birafata iminota itarenze 15. Ibisubizo byawe ni umusanzu ukomeye mugosobanukirwa neza umusanzu w'abacunga mari bigenga mu mikorere ya ONATRACOM.

Niba mubishaka mwanemerera ngatangira. murakoze

Instructions to the interviewer:

Amabwiriza yo gusubiza

Interviewer, place an "X" in the box of the selected answer(s).

Urashyira akamenyetso ka (x) kugisubio kiboneye

Do not read responses unless the directions indicate so.

GENERAL DEMOGRAPHIC QUESTIONS/IBIBAZO RUSANGE

1. Category of respondent(*put an "X" in the box next to selected answer*)urwego rwabasubiza

- 1 Former ONATRACOM Manager/*uwahoze ari umukozi wohejuru wa ONATRACOM*
- 2 Former ONATRACOM Employee/*uwahoze akorera Onatracome*
- 3 Private transporter/ *utwara abantu kugiti ke*
- 4 Public Sector transporter/*utwara abantu muri rusange*
- 5 Private sector driver/*umushoferi w'abikorera kugiti cyabo*
- 6 Public sector driver/*umushoferi w'abatwara abantu muri rusange*
- 7 Regular traveler/ *umugenzi uhoraho*
- 8 Current Public Transport Industry Manager/*umuyobozi w'abatwara abantu muri rusange*

2. Have ever heard of ONATRACOM (*put an "X" in the box next to selected answer*)/waba warigeze wunva ONATRACOM? (*shyira "x" kugisubizo kiri cyo*)

- 1 Yes
- 2 No

3. How did you know ONATRACOM?/*wamenye gute ONATRACOM*

4. (*Put an "X" in the box next to selected answer*)/(*shyira "x" kugisubizo kiri cyo*)

- 1 Worked with it/ *Narayikoreye*
- 2 Traveled with it/*Nayikoresheje murugendo*
- 3 Heard it in media/*nayunvise mubinyamakuru*
- 4 Used to see its buses around/*Nakundaa kubona imodoka zabo zitwara abagenze*

5. Where do you usually live and/or work?*Ubusanzwe utuye he/ cg ukorera he?*

(*Put an "X" in the box next to selected answer*)/ (*shyira "x" kugisubizo kiri cyo*)

- 1 In Kigali City/*Mumuji wa Kigali*
- 2 Outside Kigali City in rural Rwanda/*Inyuma ya Kigali mubice by'icyaro*
- 3 Outside Kigali City in another/*Munkengero za kigali*

6. What is your main job? (*Do not read out answers and choose one answer by putting an "X" sign in in the box next cited answer*)/ukorea iki? (*ntabwo usoma ibisubizo; reka usubiza aguhe igisubizo nawe ushyire akamenyetso ka "X" kugisubizo cy'ukuri*)

- 1 No job/*Ntakazi*
 - 2 Civil Servant/*Nkorera inzego za leta*
 - 3 Private Sector worker/*Nkorera abikorera kugiti cyabo*
 - 4 Other/*Akandi-*
-

**KNOWLEDGE OF PUBLIC COMPANIES REASONS FOR FAILURE/ubumenyi ku mpamvu zo gohoma
kuri ri kampani rusange**

<p>7. In your opinion, what are the main reasons why public companies often fail despite all effort to enforce rules, procedures and regulations? <i>Kubwawo, ubona ari izihe mpamvu zingenzi kampani rusange akenshi zidatera imbere nyamara haba hashyizwemo ingufu nyinshi mukuyobora, imikorere nandi mabwiriza</i></p> <p><i>(Do not read answers; put an “X” each time an answer is selected. Choose one response corresponding to first reason)/ (ntabwo usoma ibisubizo; reka usubiza aguhe igisubizo nawe ushyire akamenyetso ka “X”</i></p>	<p>Poor Management/<i>imiyoborere ikennye</i> 1</p> <p>Shortage of funds/<i>inkunga idahagije</i> 2</p> <p>Indifference in management/<i>itadnukaniro mumiyo borere</i> 3</p> <p>Culture of Corruption/<i>umuco wa ruswa</i> 4</p> <p>Bad governance/<i>imiyoborere mibi</i> 5</p> <p>Petty larceny (theft)/<i>ubujura bworohije</i> 6</p> <p>Nepotism/Favoritism/<i>ivangura</i> 7</p> <p>Culture of impunity/<i>umuco wa kwisanzura no kutagenzurwa</i> 8 9</p> <p>Lack of innovation/<i>kutagira udushya</i> 10</p> <p>Competition with private sector operators/<i>guhanga nizindi kampani zigenga</i> 11</p> <p>Other/<i>ibindi</i> _____</p>	
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<i>kugisubizo cy'ukuri)</i>		
8. Do you think Internal Audit can contribute to private companies' success?/ <i>uratekereza ko abagenzura mari bafasha mugutera</i>	<p>Yes/Yego 1</p> <p>No/Hoya 2</p> <p>Don't Know/<i>ntabwo mbizi</i> 3</p> <p>No answer/<i>Ntagisubizo</i> 4</p>	
9. If yes, for what reasons? <i>Niba ari yego; ni kuzihe mpamvu</i> <i>(do not suggest answers, choose one/ntumuhe ibisubizo, uhite mo kimwe)</i>	<p>It helps to identify mistakes/<i>bafasha mukubona amakosa</i> 1</p> <p>Gives recommendations/<i>batanga inama zubaka</i> 2</p> <p>Suggests ways of improvements/<i>batanga inama kuburyo bushoboka mwiterambere</i> 3</p> <p>It intimidates bad managers/<i>batera ubwoba ubuyobozi bubi</i> 4</p> <p>Helps restructuring procedures/<i>bafasha mugushyiraho ingamba zikwiye</i> 5</p>	
10. If no, why? <i>Niba ari hoyo ni ukubera iki?</i> <i>(do not suggest answers, choose one/ ntumuhe ibisubizo, uhite mo kimwe)</i>	<p>Auditors are not independent/<i>abagenzura mari ntabwo bigenga</i> 1</p> <p>Auditors often don't care about companies/<i>abagenzura mari akenshi ntabwo bita kuri kampani</i> 2</p> <p>Conflicts of interests/<i>intambira y'inyungu</i> 3</p> <p>Auditors are relatives of high managers/<i>abagenzura mari ni insuti zahafi za bayobozi</i> 4</p> <p>Everybody is indifferent/<i>buri wese afite itandukaniro</i> 6</p> <p>Lack of transparency in recruitment/<i>kutagira uburyo busbanutse mwitangwa ry'akazi</i> 7</p>	

	<i>Other reasons/izindi mpamvu</i> _____	
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OPINIONS ON ONATRACOM'S FAILURE/impamvu zatumye ONATRACOM idatera imbere

11. In your opinion, what was the origin of ONATRACO M's failure? <i>Mubitekrezho byawe; ubona ari iki cyataye ONATRACOM kudatera imbere?</i> (Do not read answers; put an "X" each time an answer is selected. Multiple responses are possible)	Poor Management/ <i>imiyoborere ikennye</i> Shortage of funds/ <i>inkunga idahagije</i> Indifference in management/ <i>itadnukaniro mumiyoborere</i> Culture of Corruption/ <i>umuco wa ruswa</i> Bad governance/ <i>imiyoborere mibi</i> Petty larceny (theft)/ <i>ubujura bworoheje</i> Nepotism/Favoritism/ <i>ivangura</i> Culture of impunity/ <i>umuco wa kwisanzura no kutagenzurwa</i> Lack of innovation/ <i>kutagira udushya</i> Competition with private sector operators/ <i>guhanga niza inda kampani zigenga</i> Other/ <i>ibindi</i> _____	<u>YES(=1)</u> 1 1 1 1 1 1 1 1 1 1 1 1	<u>NO (=2)</u> 2 2 2 2 2 2 2 2 2 2 2 2			
				12. Which specific management mistakes do you think led to overall failure? (Circle the corresponding code)	Funds mismanagement Nepotism Lack of transparency Poor procedures Bad financial management Other _____	1 2 3 4 5 6
				13. How could you qualify	Auditors are professional	1

<p>ONATRACOM's internal audit?</p> <p><i>(tick corresponding code, choose one answer)</i></p>	Auditors are not independent	2
	Auditors often don't care about companies	3
	There is conflicts of interests	4
	Auditors are relatives of high managers	5
	Everybody is indifferent	6
	There is no transparency in recruitment	7
	Other reasons: _____	8
		9
		10
		11

OPINIONS ON SOME MALPRACTICES OF ONATRACOM STAFF MEMBERS

<p>AT WHAT EXTENT DO YOU AGREE WITH THE FOLLOWING STATEMENT?</p> <p>(SA=STRONGLY AGREE, A=AGREE, NAD=NOR AGREE OR DISAGREE, D=DISAGREE, SD=STRONGLY DISAGREE)</p> <p><i>(Circle the corresponding code as cited)</i></p>	Strongly Agree	Agree	Nor Agree or Disagree	Disagree	Strongly Disagree
<p>14. ONATRACOM had poor and corrupted management<i>(Circle the corresponding code as cited)</i></p>	5	4	3	2	1
<p>15. Most of ONATRACOM drivers and conductors had the culture of siphoning fuel out of buses and reselling it on underground market. <i>(Circle the corresponding code as cited)</i></p>	5	4	3	2	1
<p>16. Most of ONATRACOM drivers and conductors had the culture of pocketing bus fares for which they didn't issue tickets. <i>(Circle the corresponding code as cited)</i></p>	5	4	3	2	1
<p>17. ONATRACOM used to vandalizing vehicles for parts <i>(circle the corresponding code as cited)</i></p>	5	4	3	2	1
<p>18. ONATRACOM often couldn't pay its suppliers.<i>(Circle the corresponding code as</i></p>	5	4	3	2	1

<i>cited)</i>					
19. ONATRACOM had the culture of ripping its partners. <i>(Circle the corresponding code as cited)</i>	5	4	3	2	1
20. Staff salaries were not paid on time leading to staff misconduct like theft. <i>(Circle the corresponding code as cited)</i>	5	4	3	2	1
21. ONATRACOM had leaky procurement processes. <i>(Circle the corresponding code as cited)</i>	5	4	3	2	1
22. What do you think can be done to re-launch ONATRACOM and make it function well? <i>(Circle the corresponding code as cited, multiple answers are possible)</i>	YES (=1)		NO (=2)		
a) Professionalize public transport industry.	1		2		
b) Exonerate it from taxes from its operations in rural areas.	1		2		
c) Tightly control all operations.	1		2		
d) Totally privatize it.	1		2		
e) Add more funds for operations.	1		2		

=== end of survey ===