MAKERERE UNIVERSITY

MAKERERE UNIVERSITY BUSINESS SCHOOL

AUDIT QUALITY, TEAM COMPETENCE AND FINANCIAL PERFORMANCE OF COMMERCIAL BANKS IN KAMPALA CENTRAL DIVISION

BY

AKANGWAGYE JOHNSON

REG NO: 2018/HD10/3725U

Tel: 0774849247

Email:akangwagyemcwise@gmail.com

A DISSERTATION SUBMITTED MAKERERE UNIVERSITY BUSINESS SCHOOL FACULTY OF GRADUATE STUDIES AND RESEARCHIN PARTIAL FULFILLMENT OF THE REQUIREMENTFOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION OF MAKERERE UNIVERSITY

PLAN A

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DECLARATION

I, Akangwagye Johnson, declare that this dissertation has never been submitted to any other institution for any degree award.

Signature…………………………………………… Date……10/1/2022……………………………

Akangwagye Johnson

2018/HD10/3725U

APPROVAL

This is to certify that this dissertation has been submitted in partial fulfillment of the requirements for the award of a Master's Degree of Business Administration with our approval as university supervisors.

Signature…………………………………

Dr. Richard Akisimire (PhD)

Date…10/01/2022…………

Signature…………………………………

Mrs. Diana Kyomuhangi

Date…10/01/2022…………

DEDICATION

This research work is dedicated to my dear parents Mr. Bataringaya James and Mrs. Kyarisiima Grace for laying a strong foundation to my life, to all my family members both nuclear and extended. I am humbled to have you all.

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LIST OF ACRONYMS

CVI	Content Validity Index
DTB	Diamond Trust Bank
FP	Financial Performance
GTB	Global Trust Bank
KCB	Kenya Commercial Bank

ABSTRACT

The study sought to establish the relationship between audit quality and financial performance of commercial Banks in Kampala Central Division. The study adopted across sectional and correlation quantitative design using 24 commercial Banks in Kampala central 24 commercial banks in Kampala central division that were drawn from a population of 26commercial banks. The sample size was determined using Krejcie and Morgan Tables (1970). The data were tested for reliability and validity, analyzed using SPSS version 21 and results presented based on the study objectives. The correlation coefficient analysis revealed positive and significant relationships between audit quality, team competence and financial performance of commercial Banks which implies that when one variable is improved it leads to improvement of the other. Furthermore, the hierarchical regression analysis indicates that audit quality combined with team competence have a greater predictive potential on the financial performance (Adj R^2 of 0.324). However, it was further revealed that audit quality has a more direct effect on the financial performance based on the individual contribution (R Square Change 0.202). Therefore it's worth recommending that The management of the commercial banks should ensure that they hire quality audit firms and ensure that employees who work in the internal audits are well qualified and they should do this by tracking their history and also how big they are in dealing with different bigger audits. This will enable the commercial banks to get independent and quality reports about their performance and this will help them to continue correcting their mistakes and improve performance. It should ensure that the employees have the right attitude towards work, this can be done by ensuring that the environment is conducive for business continuity and it enables workers to be promoted.

CHAPTER ONE

1.0 INTRODUCTION

1.1 Background to the Study

Financial performance is vital to the health of the banking sector and is closely associated with the well-being of the whole economy (Matoke and Omwenga, 2016). Financial performance indicates how well an entity is utilizing its resources to maximize the shareholders wealth and profitability (Ijaz& Naqvi, 2016). Sharma &Mani (2013) points out that the bank's financial performance has become a degree of concern to policymakers and different economic agents because the realistic gains of a country's economic sector mostly rely upon the effectiveness of the banks in carrying out their role of financial intercession. However, poor financial performance has been at the core of many commercial banks failures globally and this has seen the collapse of several commercial banks worldwide (Zeghal and Maaloul, 2014). The foremost well-known include; Northern Rock (United Kingdom), Anglo Irish Bank (Ireland), Scottish bank (Scotland), Twiga Bancorp (Tanzania), Imperial Bank and Chase Bank (Kenya), Crane Bank Ltd (Uganda) among others (Sharma &Mani,2013).In Uganda specifically Kampala Central Division, commercial banks are not flourishing as confirmed by low levels of private credit, high-interest rate spreads, high levels of non-performing loans, poor asset quality, and operational inefficiencies (Munyambonera et al., 2013). Varied studies have been executed globally to spot and perceive the factors that define and influence the profitability of banks to bolster the financial performance within the banking sector (Sanda et al., 2015).Numerous studies have investigated the factors affecting the financial performance of commercial banks; one of them is audit quality (Matoke and Omwenga, 2016).

Audit quality was first defined by DeAngelo (1981) referring to it as "*the market assessed chance that a given auditor can each discover a breach in a client's accounting system, and report the breach*". Audit quality is a much-discussed topic following the financial crisis and noteworthy efforts have been created in recent years to brand audit corporations and to supply tools with which to appraise auditors (IFAC 2009; EC 2001; PCAOB 2013; IAASB 2014).For example, IAASB (2014) released its "Framework for Audit Quality: Key Elements that Create an Environment for Audit Quality", describing factors that lead to competent audits. Zehri and Shabou (2015) emphasized that high-quality auditors are more likely to uncover questionable accounting practices by clienteles and report material irregularities and misstatements compared with low-quality auditors. Due to this, a superior audit quality can better constrain earnings management, and successively enhance the standard of financial reports thus up the financial performance of corporations (Ching, Teh, San & Hoe, 2015).

Financial performance has also been associated with team competences (Soderquist et al., 2016). As established by Crook et al. (2014), team competencies are the core feature for team performance in a work setting. Team competencies at the individual level are the characteristics that a team member has in order to successfully engage in teamwork (Baker et al., 2013). Competencies are a cluster of correlated knowledge, skills, characteristics, and attitudes that correlates with effective performance (Berge et al., 2014). Teams play the crucial role of bridging the relationship between individual performance and organizational performance (Edmondson, 2015). Every business organization needs effective teams to be successful in today's highly competitive and dynamic business environment (Zaim et al., 2013). A business organization needs to identify, develop, and retain talented people. Every successful and effective employee possesses several competencies that enable him to perform efficiently and effectively at different levels (Baker et al., 2013). The relationship between competences and success of a business remains a vital issue within organizational literature (Crook et al., 2014). Competencies can give corporations their competitive advantage over their opponents. This can be achieved through companies developing competencies that are not easily transferable from one business to another. Some fundamental competencies that are hard to replicate can be established through the company's reputation, service, traditions and image (Clardy, 2018).When banks come together there is an increased pool of expertise as different employees with great experiences, skills and competencies come together and share ideas. The pool of professionals brings about creativity and innovation which is converted to better products and services for customers at reduced costs hence profitability (Panagiotakopoulos, 2014).

Numerous studies have been carried out globally to recognize and comprehend the features that determine and impact the profitability of banks to enhance the financial performance in the banking sector (Zeghal and Maaloul, 2014; Ting and Lean, 2019; Kujansivu and Lonnqvist, 2017), However most of these studies have not studied Kampala Central Division in isolation, hence the need for this study. The current study, therefore, seeks to establish the relationship between audit quality, team competencies and financial performance of commercial banks in Kampala Central Division.

1.2 Statement of the problem

Numerous procedures have been set up to deliver paths through which banks can grow and progress their performance (Jimoh and Iyoha, 2013). For instance, in January 2016, the Ugandan Parliament passed a revised Financial Institutions Act which enables banks to do Islamic banking, sell insurance products on behalf of insurers and sell bank products through agents (Daily monitor Wednesday, October 11 2017). Despite the effort, the performance of Commercial banks remains questionable. For instance, there was a slowdown in lending recorded in the year to June 2017 and Bank loans grew by 0.9 percent from UGX10.9 trillion in June 2016 to UGX11.0 trillion in June 2017, lower than the 3.7 percent growth recorded in the previous year(BOU report, 2016). In addition, Bank of Uganda Financial Stability Report (2020) a declining financial performance as indicated in the table below;

Earnings & profitability indicators (in % age)	(June)2020	(June)2019	(June)2018
Return on assets (ROA)	2.6	2.7	2.8
Return on equity (ROE)	15.2	15.8	16.7
Net interest margin (NIM)	10.9	11.2	11.5

Source: BOU Financial Stability Report June 2020

Extant literature reveals that the commercial banks have continued to suffer financial performance challenges as a result of poor audit quality in form of unclear pricing of audit fees, declined public's perception of the independence of auditors and poor team competence in form of attitude, skills and knowledge of team leaders (Nworji, Adebayo and David, 2014). Furthermore the profitability of the banking industry reduced in 2017 whereby the Banks' aggregate net after-tax earnings declined by 16.7 percent, from USh.485.6 billion in the year June 2016 to USh.404.5 billion in

June 2017 (BOU report, 2017).If this declining financial performance of commercial banks is left unchecked, the Ugandan economy may continue to be affected and commercial banks in Kampala Central Division may lose out on business. Although extant literature reveals that the poor financial performance could be attributed to audit quality and team competence (Nworji, Adebayo and David, 2014; Jimoh and Iyoha, 2013); little is known in Kampala Central Division, hence necessitating a special investigation.

1.3 Purpose of the study

The purpose of the study was to establish the relationship between audit quality, team competence and financial performance of commercial banks in Kampala Central Division.

1.4 Research Objective

i. To establish the relationship between audit quality and financial performance of commercial Banks in Kampala Central Division.

ii. To establish the relationship between team competence and financial performance of commercial Banks in Kampala Central Division.

iii. To establish the combined relationship between audit quality, team competence and financial performance of commercial Banks in Kampala Central Division.

1.5 Research Questions

This study sought to answer the following research questions:

i) What is the relationship between audit quality and financial performance of commercial Banks in Kampala Central Division?

ii) What is the relationship between team competence and the financial performance of commercial Banks in Kampala Central Division?

iii) What is the relationship combined between audit quality, team competence and financial performance of commercial Banks in Kampala Central Division?

1.6 Scope of the study

1.6.1 Content Scope

The study was limited to audit quality, team competence which are independent variables while financial performance of commercial Banks in Kampala Central Division which is the dependent variable.

1.6.2 Time scope

The study covered a time scope of two years since it focused on events happening in a point of time using a cross-sectional design. This time period was chosen because the time period given for study is one year which calls for cross-sectional design which allows collection of data at one point in time

1.6.3 Geographic scope

The study covered a few selected Commercial banks in one of the five divisions that make up Kampala, the capital city of Uganda which is Kampala central division. This is because most Commercial Banks operate in Kampala Central Division therefore this ensured adequate representation in the sample studied.

1.7 Significance of the Study

- The study will help the policymakers especially the Central Bank of Uganda to develop a comprehensive framework of policies that will improve the financial performance of commercial banks which will, in turn, improve the performance of the economy at large.

- The study will help the management and the boards of directors understand the factors behind the poor financial performance of Commercial banks and hence design appropriate strategies that will turnaround the financial performance.
- The study will contribute to the existing body of literature and form a basis for further research on related topics by providing useful insights into the area of financial performance.

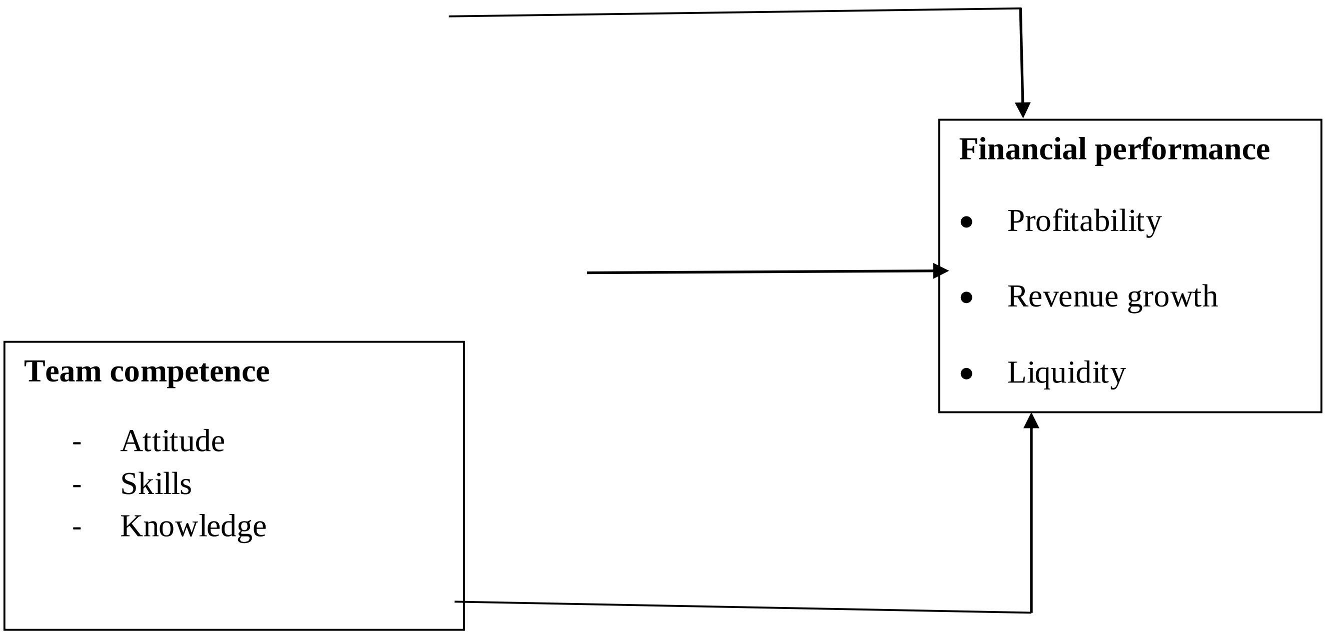
1.8 Conceptual framework

The conceptual framework in figure 1 shows the relationship between the variables under investigation. The independent variables are audit quality and team competencies; the dependent variable is financial performance. The model shows that there is a relationship between audit quality and financial performance implying that if there is an improvement in audit quality in terms of the audit process and audit professionals, then the financial performance of commercial banks will improve in terms of operational efficiency and return on assets. It also shows the relationship between team competences and financial performance implying that when there is an improvement in team competencies in terms of skills, knowledge, and abilities of the team players, then there will be an improvement of financial performance in commercial banks. It also shows that there is a relationship between audit quality, team competencies and financial performance meaning when commercial banks improve in their audit quality and team competencies, the financial performance of commercial banks in Kampala Central Division will, in turn, be improved.

Figure 1: **Conceptual Framework**

Audit quality

- Audit firm size
- Auditor Independence
- Audit fees



Source: Constructed after reviewing existing literature on the variables (Zeghal and Maaloul, 2013; Oluwagbemiga, 2015; Özçelik and Ferman, 2016; Soderquistet al., 2016).

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter involves an extensive review of the works of various scholars with specific emphasis on audit quality, team competence and financial performance of commercial bank. The relationships between the variables are also explored as per various scholars.

2.1 Review of theories

The study is based on the audit quality theory and the competency theory to explain the relationship between audit quality, team competences and financial performance of commercial banks

2.1.2 Audit Quality Theory

Audit quality and perceptions of audit quality have been considered as two different concepts by Watkins, Hillison and Morecroft (2004). In order to keep the distinction between these two concepts Watkins et al. (2004) uses factors like “monitoring strength” and “reputation” to refer to the actual and perceived audit quality. The monitoring strength helps in influencing and maintaining the quality of information in the financial statements, whereas the reputation of auditors can influence the credibility perceived by the stakeholders regarding the auditors. The auditors monitoring strength can be measured via the components of audit quality which are auditors’ degree of competence and independence. The same degree of competence and independence of auditors’ measured as components of audit quality from the perception of market then it would refer to auditor reputation. Auditor reputation is difficult to observe or measure due to the fact that they are based on the users’ beliefs.

The audit quality framework presented by Watkins et al. (2004) captures the relationship between audit quality components, audit quality products and their influence over information in the financial statements and financial performance of firms. Therefore the researcher seeks to explain the relationship between audit quality and financial performance in commercial banks using the Audit Quality theory.

2.1.3 The competency theory

Argyris (1965) indicates that Competence-based Vocational and Professional Education is very important since it dictates the overall performance of the employees at the work station. Competency theory lists the features which make competence-based education a unique innovation. Mulder (2016) points at the EU which recently developed key competencies, EU guidelines for assessment, and the 2015 Riga Conclusions on key competencies. It furthermore gives examples of recent EU ICT and Logistics competence frameworks. In his study, competence initiatives of the OECD, UNDP, ILO and UNEVOC were more of results based model which were achieved through the competences of the employees. These examples show that competence based education is a world-wide innovation. The key drivers behind and dimensions of competence in practice and theory will guide the study to achieve financial performance of the commercial Banks in Uganda.

2.1.4 Overview of Commercial Banks

A commercial bank is an establishment that provides monetary services, including issuing money in numerous forms, accepting deposits of money, lending money and managing transactions plus generating of credit (Campbell, 2016). Commercial banks play an important role in the economic development of a country and their firmness is important and critical for the financial system. To maintain a stable financial intermediary function, banks should be profitable (Nuhiu et al., 2017).

The banking industry is a very significant sector since it’s the reason behind the growth of finance, and specifically the banking system stimulates economic growth (Lipunga, 2014). The banking system plays a key role in moving funds from the savings units to the investing units (Nshimiyimana and Zubeda 2017). Banks are important for the economy and organizations in particular at the time of economic recession and money related crisis. Industrial, agricultural and commercial development of a country is not imaginable without an efficient banking system (Safiullah, 2013; Brown et al, 2017). Occasionally banks actually don't respond to a catastrophe, by relating the latest financial crisis of 2007-09, it made circumstances more awful for economic development. Thus, it is noteworthy to observe the performance of banks with the administrative fundamentals (Babar and Zeb 2014). If the banking industry fails to soundly perform, the consequence on the economy could be enormous and comprehensive. Thus, banks are a critical part of the financial system, which plays a pivotal role in contributing to the country’s economic development (Rasidah and Mohd 2014).

2.2 Financial Performance

Financial performance is ability to create new resources, from everyday operation over a given period of time(Aktan&Bulut, 2018).The financial soundness of a financial institution may be strong or unsatisfactory varying from one bank to another Mugembe (2018).Generally, financial performance indicates measures to which economic goals being or has been achieved (Ferreira et al, 2014). Noble financial performance of the bank recompense the shareholders for their investment and encourages extra investment which leads to more economic growth (Nuhiu et al., 2017). On the other hand, the poor performance of banks may lead to their failure and appearance of the financial crisis which will have negative penalties on economic growth (Nuhiu et al., 2017).

The literature on financial performance has for many years focused on Liquidity and Profitability. Liquidity is used to determine the financial health of a business or personal investment portfolio (Arif&Anees, 2013). Three liquidity ratios are often used for this purpose, namely the current ratio, the quick ratio and the capital ratio. Liquidity not only helps ensure that a person or business always has a reliable supply of cash close at hand, but it is a powerful tool when it comes to determining the financial health of future investments as well (Clementi, 2014). An organization with liquidity problems loses a number of business opportunities which this places the firm at a competitive disadvantage (Chaplin, Emblow& Michael, 2014). Therefore liquidity management is an essential component of the overall financial management framework (Majid&Rais, 2013).

2.2.1 Audit Quality

The most well-known definition of audit quality, which has been broadly accepted by scholars is the one by DeAngelo (1981) which states that: *"The quality of audit services is defined to be the market-assessed joint probability that a given auditor will both discover a breach in the client's accounting system and report the breach".* This definition broadly means that audit quality depends on the probability that the auditor discovers a misstatement in a financial statement and actually reports the misstatement (Zayol et al., 2017).Arens, et.al (2013) asserts that, to carry out an audit in a manner that meets the reasonable expectations of users of audited financial statements, it is essential that work is performed with due regard for audit quality. Therefore a firm must not compromise audit quality to achieve financial benefits (Zayol et al., 2017).

Audit quality plays an indispensable role in maintaining aresourceful market environment with indicators including Auditor independence, audit firm size, audit process, audit professionals as well as audit fees which are concepts that work inseparably (Nam and Ronen, 2014), to help guarantee that the firms' financial statements are dependable, clear and valuable to the market place, therefore enhancing financial performance (Neri and Russo, 2014).

2.2.2 Team Competences.

Team competencies at the individual level are the characteristics that a team member ought to have to successfully get involved in teamwork (Baker et al., 2013). A competency is generally defined as a combination of skills, knowledge, attributes and behaviors that enables an individual to perform a task or an activity successfully within a given job (Brooks & Silva, 2016).Figl (2014) further explains that team competencies can also be broken down to knowledge, critical thinking, collaboration, attitude, and skill competencies. Eagly&Chaiken (2017) defined attitude as a psychological tendency that is expressed by evaluating a particular entity with some degree of favor or disfavor. Knowledge is the practical or theoretical understanding of subjects (Brooks & Silva, 2016). Brooks & Silva, (2016) further defined skills as natural or learned capacities to perform acts. Collaboration involves working with others to achieve a common goal (Zaim et al., 2013) whereas Critical thinking involves using reasoning and criteria to conceptualize, evaluate or synthesize ideas (Figl, 2014).

2.3 Relationship between the variables

2.3.1 Audit quality and financial performance.

An auditor has the duty of dodging, recognition, and coverage of fraud, additional unlawful acts, and errors (Oluwagbemiga, 2015). Audit Quality is recognized to influence financial reporting and powerfully impact on investors' confidence (Levitt, 2018). Audit quality is subject to countless direct and indirect influences in sequence with the stakeholder theory (Khan, 2016). Audit quality could also be perceived from any of 3elementary perspectives: inputs, outputs, and context factors. Inputs to audit quality, except auditing standards, embrace the auditor's attributes like auditor ability, skill and knowledge, moral values and mind-set(Matoke and Omwenga, 2016).Conventionally, external auditors play crucial and extremely difficult roles in guaranteeing the reliability of financial reports (Matoke and Omwenga, 2016).

Farouk and Hassan (2014) investigated the impact of audit quality on the financial performance of quoted cement companies in Nigeria. They geared towards determining the effect of auditor independence and audit firm size as proxies for audit quality on financial performance by means of multiple regression analysis. Findings showed that audit firm size and auditor independence have vital impacts. However, auditor independence is additionally powerful than auditor size on firm financial performance.

Lee et al. (2016) investigate whether or not the impact of the quality of financial statements is higher once financial statements are audited by the large accounting companies. They discovered that investors will better anticipate future earnings once financial statements are audited by the large accounting companies. Their results gave new proof as to the existing use of these indirect measures in predicting audit quality.

Matoke and Omwenga(2016) tested the association between audit quality and financial performance through the proxies of auditor independence, auditor size, auditfees, auditor knowledge and net profit margin of listed companies in Kenya. This investigation found that the impact of audit quality on financial performance is positive and vital and also the higher the degree of auditor independence, the more probable the firm is to have greater profitability.

Miettinen(2013) studied the association between audit quality and financial performance. Audit quality was measured using auditor size. The result of the study showed that audit quality had a direct impact and a mediated effect through audit size on financial performance.

Bouaziz(2014) studied the association among auditor size and financial performance on a sample of twenty six Tunisian companies registered on the Tunis securities market. The result showed that auditor size had a substantial effect on the financial performance of companies regarding Return on Assets ROA and Return on Equity ROE.

2.3.2 Team competences and financial performance.

Team Competence is usually seen as a cluster of connected knowledge, skills, and attitudes that affects a significant part of one's job (a role or responsibility), that correlates with performance on the work that can be measured against well-accepted standards, which may be improved via training and development. (Özçelik and Ferman, 2016). Soderquistet al., (2016) claim that there is a sturdy association between competencies and financial performance. It is majorly because; organizations have noticed that the ability and knowledge utilization of their workforce is the key to realize sustainable competitive advantage

A stable and effective team with a strategic outlook and accentuating human resources is crucial for company performance (Wei and Lau, 2018). If the team is functioning effectively and performing well, it becomes expensive to imitate which in turn will improve its performance for example transitional economies, like China (Ramos-Garza, 2019).Once this team incorporates a proactive market-focused strategic orientation, a company will be able to attain a higher level of innovation and firm performance (Zhou et al., 2019).Team competences additionally allows the firm to remodel resources into price offerings, therefore increasing the firm's financial performance (Wei and Lau, 2018). Morgan and Autry (2019) additionally added that it's not enough to possess resources and capabilities, how capabilities are deployed is more vital for making and sustaining competitive advantage than their mere possession. It is, therefore, the mixture of team skills (technical, human and abstract skills) and the conversion of those skills into performance to result into organizational financial performance (Morgan and Autry, 2019).

2.3.3 Combined relationship between Audit quality, team competencies, and financial performance.

Research on the relationship between audit quality, team competencies and financial performance is scanty (Eagly&Chaiken, 2017), however there are studies that try to explain relationship between the variables and these include; Magoutaset al.(2013) argued that, in this extremely competitive surroundings, knowledge which is a component of the competences that is attained through training and development plays an exceptional role in audit quality while not compromising both the liquidity and profitability of the firm. Saripudin et al. (2014) investigation indicated that there's a concurrent positive relationship between team competence, audit quality and financial performance. Ramadhanis (2015) found that team competence and audit quality gave positive results on the financial performance of a firm.

A study by Sukriah et al. (2019) also found out that audit quality and team competence of the auditors showed a positive impact on financial performance of an organization. Sukriah et al. (2019) contended that companies with sound skills, knowledge, and skills in auditing the books of accounts stood a better chance of longevity. It can, therefore, be noted that companies with auditors who are highly knowledgeable, highly able and very skillful will enable a firm, in this case, commercial banks improve financial performance consistent with Wanjohi (2013), the creditworthiness of financial institutions is characteristically in danger once their assets become impaired, thus it's vital to monitor indicators of the quality of their assets and audits. A financial institution with poor audit quality and lacks the skills and knowledge from professionals eventually has aneffect on its liquidity position. Ultimately, this negatively impacts on the profitability (BOU, 2016).

2.3.4 Conclusion

It can be realized from the above extant literature that audit quality, team competencies, and financial performance are correlated. The literature on team competences identify traits such as knowledge, education levels, skills and experience as the major factors that influence financial performance because they enable commercial banks to compete favorably.

The literature on audit quality identifies audit firm size, audit fees, an auditor's independence as determinants of financial performance. Financial performance could, therefore, be improved if these indicators are optimized but there is still ambiguity regarding the appropriate variables that might serve as proxies for financial performance and therefore the need for the current study.

Besides, the literature on the independent variables and the dependent variable were conducted in isolation as the literature on the three variables together is scanty and the current study intends to fill the gap. And therefore the study intends to investigate the relationship between audit quality, team competencies and financial performance of commercial banks in Kampala central division.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

The chapter covers research design, sampling design, data collection methods, research instruments, operationalization and measurement of variables, data cleaning and coding, reliability and validity results, data analysis and ethical considerations.

3.1 Research Design

A research design is an overall blueprint or strategy for the research (Amin, 2005). A cross sectional research design along with quantitative research approach was applied. This study used a cross-sectional research design because it was fit for the study whose time horizon was short (Bethlehem, 1999), therefore the cross sectional research design enabled the researcher obtain data within a snapshot. The quantitative research approach was adopted to test the relationships between study variables. Gerrish and Lacey (2010) defines quantitative research approach as: 'the broad term used to denote research designs and methods that yield numerical data'.

3.2 Study Population

The population consisted of the 26 commercial banks operating in Kampala central division since all the commercial banks in Uganda have their head offices in Central division of Kampala city (Bank of Uganda, 2021). The study population consisted of both male and female respondents. According to Mugenda and Mugenda (2003) involving both sexes in the research avoids bias. This population enabled the researcher to obtain the necessary data for his study. The commercial Banks in Uganda formed the unit of analysis and while Managers, auditors, financial analyst, managing directors and accountants formed the unit of inquiry.

3.3 Sample Size Determination

A sample size of 24 commercial banks in Kampala central division were determined using Krejcie and Morgan (1970).

3.4 Sampling Technique

The banks were selected using a simple random sampling approach. Thompson, (2012) defines simple random sampling as "*a sampling design in which k distinct items are selected from the n items in the population in such a way that every possible combination of k items is equally likely* *to be the sample selected*". Specifically, a sampling frame was obtained from the Central Bank of Uganda and a lottery method was employed to select the number of banks required from each category. This involved assigning numbers to the banks, writing the numbers on small pieces of paper, folding those papers and placing them in a box. A piece of paper was picked at a time after shuffling till the sample size is reached.

The researcher used non probability sampling technique (purposive sampling technique) in order to select key informants. Purposive sampling was selectively used to obtain data from five categories of people (Managers, auditors, financial analyst, managing directors and accountants) per bank because they are more knowledgeable about the about the financial performance in commercial banks. The objective was to obtain adequate and accurate information. According to Mugenda and Mugenda (1999) purposive sampling enables a researcher choose participants of his own interest based on knowledge and expertise.

The sample size is shown in the table below:

Table 3.1: List of respondents

Category	Sample size	Sampling technique
Managers	24	Purposive
Auditors	24	Purposive
Accountants	24	Purposive
Financial Analyst	24	Purposive
Managing Directors	24	Purposive
Total	**120**	

Source: Central Bank of Uganda (2019)

3.5 Sources of Data

3.5.1 Primary Data

The researcher used primary source of data because it's more reliablesince it is usually objective and directly collected from the original source. Data was collected from respondents using a self–administered close-ended questionnaire rated using a 4–point Likert scale, because this scale enables the researcher to extract specific information from the respondents on scenarios they have already experienced as it is in the case of the managers, auditors and accountants for commercial banks.

The questionnaire was divided into major sections to capture every study variable. The questionnaire was divided into two parts. Section A will cover the background information of the informants. While section B covered audit quality, team competence and financial performance of commercial banks. The questionnaire was adopted from those developed and tested by previous scholars such as Wanjohi (2013), Farouk and Hassan (2014). According to Burns and Grove (2005), a questionnaire is a well-thought-out tool designed to elicit information that can be obtained through written responses from the study subjects.

3.6 Operationalization and Measurement of Variables

As explained in the theoretical and conceptual frameworks, the independent variables are Audit Quality (AQ), Team Competence (TC) while the dependent variable is financial performance of commercial banks. These variables were measured using item scales developed by previous scholars drawn from existing literature. Modifications were made where necessary to suit the studycontext.

Table 3.2: Operationalization and measurement of variables

Global variable	Dimensions	Operationalization	Measurement	Sample questionnaire items
Audit Quality	Audit firm size, Audit Fees, Auditor Independence and Audit process, Audit professionals	The quality of audit services is defined to be the market-assessed joint probability that a given auditor will both discover a breach in the client's accounting system and report the breach (Arens et al., 2014) (Matoke and Omwenga, 2016)	The variable will be measured using 5 items ranging on a scale of 4 points	The audit firm size has an influence on the bank's financial performance.
Team Competence	Attitude, skills, knowledge, critical thinking and collaboration	Team competencies at the individual level are the characteristics that a team member ought to have to successfully get involved in teamwork (Baker et al., 2013)(Özçelik and Ferman, 2016). Soderquistet al., (2016)	The variable will be measured using 5 items ranging on a scale of 4 points	Team leaders are able to maintain compliance with various regulatory and policy manuals.
Financial Performance	Profitability, Revenue growth and liquidity	Financial performance is a to create new resources, from everyday operation over a given period of time(Aktan&Bulut, 2018)(Chaplin, Emblow& Michael, 2014)	The variable will be measured using 8 items ranging on a scale of 4 points	firm's capacity to create new resources, from everyday operation over a given period of time in other

3.7 Validity and Reliability of the instruments

To establish validity and reliability, the draft questionnaire was pilot-tested on 10 respondents with similar characteristics of the main study.

3.7.1 Validity

Validity is the extent to which research instruments measure what they are intended to measure (Osoand, 2008). The researcher used the expert judgment to verify the validity of the instruments. Five experts were approached to rate the instruments including three academicians and two practitioners in the field of accounting. The experts rated each item as either relevant or not relevant. Validity were determined using Content Validity Index (CVI). CVI=Items rated relevant by both judges divided by the total number of items in the questionnaire as shown here under.

$$CVI = \frac{\text{No. of items rated relevant}}{\text{Total no. of items}}$$

As recommended by Amin (2005), for the instrument to be valid, the CVI should be at least 0.7.

3.7.2 Reliability

Reliability is the extent to which a research instrument yields consistent results across the various items when it is administered again at a different point in time (Sekaran, 2003). Reliability test indicates the extent to which it is without bias or free from error, and hence ensures consistent measurement across time and across the various items in the instrument. The Cronbach alpha's coefficient test was used to measure the consistency of the scale used in this study. The recommended threshold for reliability test is above 0.7 alpha coefficient (Nunnaly, 1978, p. 245).

Table 3.3: Validity and Reliability Results

Variables	CVI'S	Cronbach's alpha	No.of items
Audit Quality	0.831	0.732	14
Team competence	0.762	0.720	16
Financial performance	0.911	0.903	26

3.8 Data Processing and Analysis

Data from the field were processed and analyzed using Statistical Package for Social Scientists (SPSS v21). The data was cleaned by checking for missing values and outliers. This was followed by testing the assumptions for parametric tests. Given the nature of the research objectives and hypotheses, parametric tests were used as the main analyses. Specifically, Pearson correlation was conducted to test the associations, while hierarchical regression was performed to test the contribution effect of each variable in explaining financial performance. This is detailed as follows.

3.8.1 Data Cleaning

This step involved checking for missing values and outliers.

3.8.1.1 Detection of Outliers

Outliers are values that are out of the range compared to the measurement scale (Field, 2009). An outlier check was conducted using minimum and maximum frequency counts, means and scatter plots. A few identified outliers were due to data entry error and they were traced and corrected.

3.8.1.2 Missing value analysis (MVA)

Data can be missing at the point questionnaire filling or data entry, and if not handled, it distorts the analysis and results. MVA helps address several concerns caused by incomplete data (Field, 2009). Thus, MVA in this study was performed to establish whether there was any missing value and the respective magnitude of how data was missing and deciding how to deal with the missing values. Also, missing data may reduce the precision of calculated statistics because there is less information than originally planned.

After running descriptive statistics, the missing data were identified, and it was established that the omissions were made by respondents and not at data entry point. It was further established that the missing data constituted less than 1% of the data; and thus, considered too small and could not suppress the standard deviation (Field, 2009). Nonetheless, the missing data were replaced using the linear interpolation method.

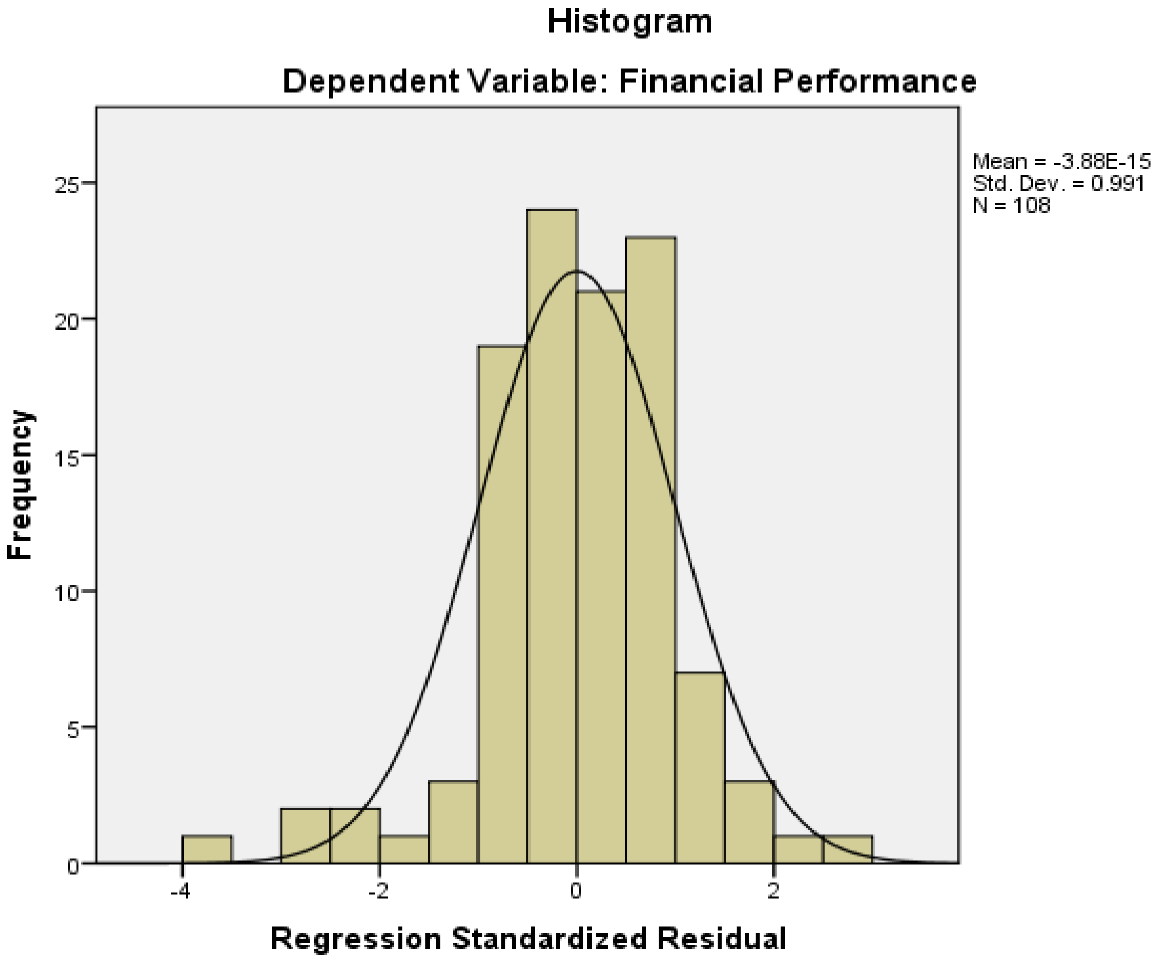
3.8.2 Tests for Parametric Assumptions

The conceptualization of this study coupled with the methodology adopted calls for diagnostic tests such as correlation and regression. This meant that the data had to be tested to see where they meet the assumptions for parametric tests. Specifically, normality, linearity and homogeneity were tested. This can be done using statistical and/or graphical approaches as detailed below.

3.8.2.1 Normality Assumption Test

A normality test was conducted to determine whether the distribution of the data deviates from a comparable normal distribution. Tabachnick and Fidell (2001, p. 73) recommend inspecting the shape of the distribution (e.g. using a histogram). Thus, graphically, normality in this study was tested using histograms. A bell-shaped histogram indicates that data is normally distributed. The results in this study reveal a fairly bell-shaped histogram, thus upholding the normality assumption.

Figure 2: **Histogram showing results on normality test**

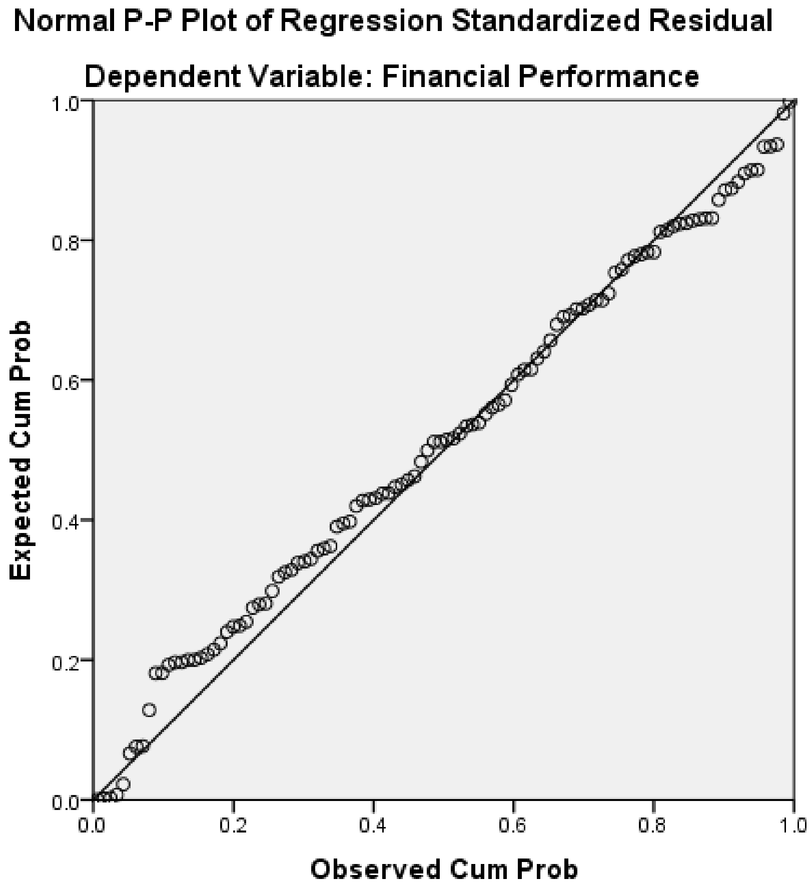


Source: Primary data

3.8.2.1 Linearity Assumption Test

Linearity refers to the presence of a straight-line relationship between two variables. Graphically, linear data is obtained when the scores are seen to be in the form of fairly straight line, not a curve. A normal probability plot (normal Q-Q plot) was used in this study to plot the residual against the predicted scores. The results in fig 3 revealed a fairly straight line thus the data passed the linear assumption test.

Figure 3: Normal Q-Q plot showing results on linearity test

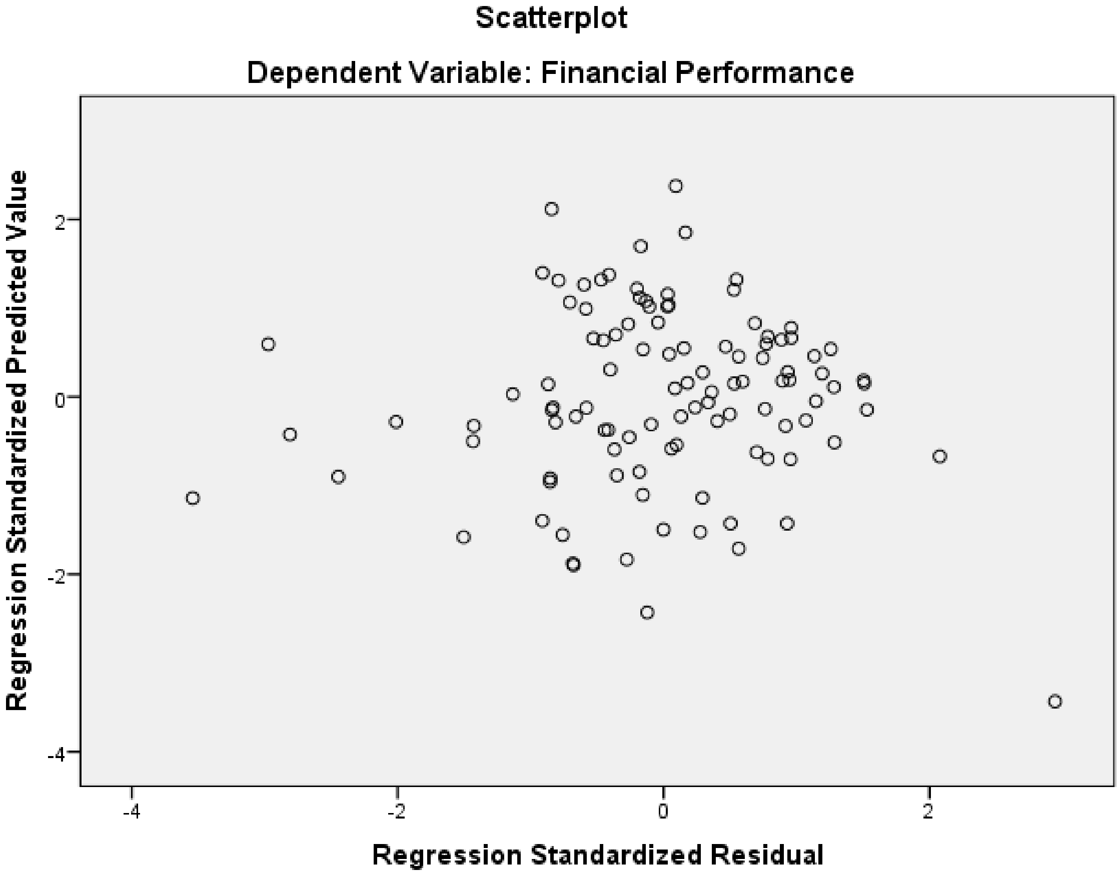


Source: Primary data

3.8.2.2 Homogeneity Assumption Test

Data is said to be homogeneous if the variance of one variable is stable at all levels of the other variables (Field, 2009). Graphically, a scatter plot was drawn plotting the residual against the dependent variable. The results of the scatter plot (figure 4) shows that the points are dispersed around zero and there is no other clear trend in the distribution; an indication that homogeneity assumption was met.

Figure 4: Scatterplot showing results on homogeneity test



Source: Primary data

3.8.2.3 Multicollinearity

Multicollinearity exists if the regressors correlate highly when regressed against each other. A collinearity diagnostic test under regression analysis was utilized. Under this procedure, two values are given, the tolerance and the variance inflation factor (VIF). The tolerance value is an indicator of how much of the variability of the specified independent variable is not explained by the other independent variables in the model. The VIF is the inverse of the tolerance value. Basing on the tolerance figures, various scholars indicate different cut off points for the accept/reject standard. According to Menard (1995), if the tolerance values are below .2, that shows the existence of multicollinearity. While VIF values above 10 indicate serious concern (Myers, 1990;

Bowwerman& O'Connell, 1990). The results in this study reveal tolerance values one (1). This is supported by VIF values below 10, therefore implying non-multicollinearity among the variables, and thus the assumption was met (tolerance value above .2 and VIF below 10).

Table 4: **Collinearity test**

	Collinearity Statistics	
Variables	Tolerance	VIF
Auditor Quality	.663	1.508
Team competence	.663	1.508

3.9 Ethical Considerations

The major ethical problem anticipated in this study was privacy of the subjects and confidentiality of their information. To ensure privacy, the subjects were informed upfront that indeed their names were not be required, that they have a right to leave questions unanswered for which they do not wish to offer the requisite information, and the researcher was not to put the respondent under pressure when this happens (Mugenda and Mugenda, 2003). To ensure confidentiality, the subjects were informed upfront that the information got was solely used for academic purposes and data obtained on private matters was treated in confidence (Amin, 2005).

CHAPTER FOUR

PRESENTATION, ANALYSIS, AND INTERPRETATION OF STUDY FINDINGS

4.0 Introduction

This chapter presents the findings of the study generated from data analysis and relevant interpretations in relation to the objectives of the study and the research questions. It includes descriptive statistics, Pearson correlations and multiple regression analysis.

4.1 Response rate

The researcher targeted to collect data from 120 respondents from the 24 commercial banks in Uganda but managed to collect data from 108 respondents from 23 banks. This implies that the response rate was 90%.

4.2 Demographic Characteristics of the respondents

Respondents were asked to provide information regarding borrower demographic profile which included gender, age bracket, marital status, and time spent in the bank among others, as follows.

4.2.1 Gender of the respondents

The Gender of the respondents has been distributed as indicated in table 4.1

Table 4.1: Gender of the respondents

Gender	Frequency	Percent
Male	85	78.7
Single	23	21.3
Total	108	100.0

Source: Primary Data, 2020

The results in table 4.1 indicate that majority of the respondents were Male (78.7%) and the female were (21.3%). The findings imply that the male occupied higher positions in commercial banks but according to the results, both sexes well reliably represented in the study which gives a better report about the findings and these can be relied on to measure financial performance of commercial banks in Uganda.

4.2.2 Marital status of the respondents

The marital status of the respondents has been distributed as indicated in table 4.2

Table 4.2: Marital status of the respondents

Marital Status	Frequency	Percent
Married	63	58.3
Single	37	34.3
Divorced	8	7.4
Total	108	100.0

Source: Primary Data

The results in table 4.2 indicate that majority of the respondents were the marrieds (58.3%) and these were followed by the singles (34.3%) and the least were the divorced (7.4%). The findings imply that commercial banks tend to put much trust among married workers since they tend to be more committed and responsible and this results in to high performance of the commercial banks. The results further indicated that all statuses were fully represented.

4.2.3 Distribution by age bracket of the respondents

The age bracket of the respondents was presented as indicated in table 4.3

Table 4.3: **Age bracket of the respondents**

Age bracket	Frequency	Percent
Less than 30	11	10.2
30 -39	32	29.6
40-49	48	44.4
above 50	17	15.7
Total	108	100.0

Source: Primary Data

The results in table 4.3 indicate that majority of respondents were between 40-49 years (44.4%), these were followed by those who were between 30-39 years (29.6%) and the least group were those less than 30 years (10.2%). These results imply that commercial banks tend to employ mature workers in positions of management who have a good experience in managing the costs and revenues and this leads to high financial performance of commercial banks.

4.2.4 Role of the respondents in the bank

The role of the respondents in the bank was distributed as indicated in table 4.4

Table 4.4: **Role of the respondents in the bank**

Role in the Bank	Frequency	Percent
Senior Manager	22	20.4
Auditor	22	20.4
Accountant	22	20.4
Assistant Manager	21	19.4
Managing Director	21	19.4
Total	108	100.0

Source: Primary Data

The results in table 4.4 indicate that majority of the respondents were senior managers, auditors and accountants (20.4%) and the assistant managers and managing directors were (19.4%). This implies that the all the respondents targeted were fully represented in the study which gave better information on the study variables and how they are linked to each other.

4.2.5 Distribution by the time spent by the respondents in the bank

The time spent by the respondents in the bank were distributed as indicated in table 4.5

Table 4.5: **Time spent by the respondents in the bank**

Time spent in the Bank	Frequency	Percent
2-5years	19	17.6
6-10years	51	47.2
more than 10years	38	35.2
Total	108	100.0

Source: Primary Data

The results in table 4.5 indicate that majority of the respondents had spent 6-10 years in the bank (47.2%), these were followed by those which had spent more than 10 years (35/2%) and the least group had spent 2-5 years (17.6%). These findings imply that most of the employees in the senior/ managerial positions are those who have spent some good time in working with the bank. This further imply that they employ vast of experience in taking critical decisions which lead to high performance of the bank.

4.2.6 Age of the commercial bank

The age of the bank was distributed as indicated in table 4.6

Table 4.6: **Age of the bank**

Age of the Bank	Frequency	Percent
Less than 5 years	2	8.7
5-9 Years	5	21.7
More than 10 years	16	69.6
Total	23	100.0

Source: Primary Data

The results in table 4.6 indicate that majority banks had spent more than 10 years while operating in Uganda (69.6%), these were followed by those which had spent 5-9 years (21.7%) and the least group had spent less than 5 years (8.7%). These findings imply that most banks have a better experience in dealing with customers in Uganda since they have been operating for more than 10 years. This gives them a leverage to understand the market trends and how to maximize revenue in challenging environment and other new banks can learn from those who are in practice.

4.3 Pearson correlation

Pearson's Correlation analysis was conducted to measure the strength of linear associations between the study variables and is denoted by r. The Pearson correlation coefficient, *r*, can take a range of values from +1 to -1. A value of 0 indicates that there is no association between the two variables. A value greater than 0 indicates a positive association; that is, as the value of one variable increases, so does the value of the other variable. A value less than 0 indicates a negative association; that is, as the value of one variable increases, the value of the other variable decreases. The study variables were measured on a continuous scale, and thus Pearson correlation was found to be the most appropriate to test the relationships between the variables.

Table 4.7: **Correlation matrix**

Variables	1	2	3	4	5	6	7	8	9	10	11	12
Audit firm size-1	1											
Audit Fee-2	-.092	1										
Auditor independence-3	.429**	.126	1									
Auditor Quality-4	.643**	.549**	.788**	1								
Attitude-5	.527**	.189*	.219*	.461**	1							
Skills-6	.362**	.400**	.332**	.553**	.312**	1						
Knowledge-7	-.011	.262**	.147	.209*	.165	.164	1					
Team Competance-8	.391**	.422**	.337**	.580**	.648**	.727**	.686**	1				
Profitability-9	.282**	.062	.290**	.316**	.347**	.133	.534**	.493**	1			
Revenue-10	.622**	-.017	.350**	.465**	.516**	.364**	.120	.447**	.400**	1		
Liquidity-11	.621**	-.130	.449**	.456**	.286**	.269**	.226*	.374**	.541**	.635**	1	
Financial Performance-12	.629**	-.039	.441**	.504**	.468**	.318**	.325**	.525**	.751**	.745**	.781**	1

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

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

Source: Primary Data

4.3.1 Audit quality and financial performance of commercial Banks in Kampala Central Division.

The results in table 4.7, shows that there is a positive significant relationship between audit quality and financial performance of commercial banks in Kampala central division (r=.504, p<.01). This implies that any positive change in audit quality will result in to a positive change in financial performance of commercial banks. The results further indicated that the audit firm size has a positive significant relationship with financial performance of banks (r=.629, P<.01), which implies that the bigger the audit size of the firm, the more the financial performance of the bank. In addition, when auditor's independence is granted, this will result in to a positive change in financial performance since the results indicated that the relationship was positive and significant at 99% level of confidence (r=.441, p<.01). Finally the results indicated that audit fee doesn't affect financial performance since it's found to be having an insignificant relationship with financial performance.

Team competence and financial performance of commercial Banks in Kampala Central Division.

The results in table 4.7, shows that there is a positive significant relationship between team competence and financial performance of commercial banks in Kampala central division (r=.525, p<.01). This implies that any positive change in team competence will result in to a positive change in financial performance of commercial banks. The results further indicated that the attitude of the team, skills possessed by the team and their knowledge has a positive significant relationship with financial performance of banks at 99% level of confidence as indicated respectively (r=.468, P<.01), (r=.318, P<.01 and (r=.325, P<.01) respectively. This also implies this also implies that improvement in the attitude, Skill and knowledge which are indicators of team competence would result in to a positive change in financial performance

4.4 Regression analysis

4.4.1 The combined relationship between audit quality, team competence and financial performance of commercial Banks in Kampala Central Division.

To achieve this objective, hierarchical regression analysis was run, specifically to bring out the relationship between the three variables and also to the individual contribution of each independent variable to the dependent variable.

Table 4.8: Hierarchical regression

	Model 1			**Model 2**			**Model 2**		
	B	SE	β	B	SE	β	B	SE	β
(Constant)	4.422	.221		1.559	.568		.744	.585	
Age of the Bank	-.214	.082	-.245	-.084	.077	-.097	-.080	.073	-.092
Audit Quality				.711	.132	.474	.410	.151	.273*
Team competence							.536	.150	.349**
R		0.245			0.512			0.586	
R Square		0.06			0.263			0.343	
Adjusted R Square		0.051			0.248			**0.324**	
R Square Change		**0.06**			**0.202**			**0.081**	
F Change		6.779			28.821			12.755	
Sig. F Change		.011			.000			.000	

Dependent Variable: Financial Performance; N=23; *regression is significant at 0.05; **regression is significant at 0.01

Model one

The results in model one indicate that the age of the bank as a control variable doesn't have a significance relationship with financial performance of the bank, this is because the relationship is negative and insignificant (Beta=-.092, $p<.05$). This is implies that age of the commercial bank may not necessarily determine its financial performance.

Model Two

The results in model two indicate that, additional of audit quality explains 20.2% (R Square Change=.202) of the variations in the financial performance of commercial banks in Uganda. The results further indicated that a unit increase in audit quality of the bank will result in to 0.273 units (Beta=.273, $p<.01$) increase in financial performance holing other factors constant.

Model Three

The results in model three indicate that 8.1% (R Square Change=.081) of the changes in financial performance is explained by team competence. In addition the results indicate that a unit increase in team competence will result in to 0.081 units (Beta=.081, $p<.01$) increase in financial performance holding other factors.

Finally the results in the regression model further explain that, the relationship between audit quality, team competence and financial performance is 0.324 (Adjusted R Square=.324). This also implies that 32.4% of the variations in financial performance is explained by changes in audit quality and team competence, which also further imply theta the remaining 67.6% is explained by other variables not considered in this study like level of operational costs and environmental factors

CHAPTER FIVE

DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter discusses all the findings reported in chapter four based on the research questions and objectives, draws conclusions and suggests recommendations for the findings, limitations of the study and also proposes some areas for further research.

5.1 Discussion of Results

The discussions of results were based on the objectives and findings of the study as below;

5.1.1 Audit quality and financial performance of commercial banks in central district Kampala.

The findings from the regression table shows that there is a positive significant relationship between audit quality and financial performance. These findings were both confirmed by both Pearson correlation and regression analysis findings. These findings imply that an increase in audit quality would result in to an increases financial performance. This also improves that when the audit firm size is big, in terms of increasing the size by every year, having network branches which are crucial to the bank, when the bank has a number of partners increase every year and the number of clients increasing every year, this will result in to improvement in financial performance. In addition, when the auditor's independence is granted in terms of basing on their experience at work, auditors' decision being strictly independent and allowing them to make independent reports this will improve their financial performance. More so, the independence of the auditors is very important in improving financial performance of the commercial banks. This is because when the reports from the auditors are independent from any corrupt or managerial influence, this will guide management in making well and clear informed decision which are based on the true data.in addition, when the size of the firm is big enough, this implies that bigger firms tend to protect their names by giving independent reports which results in to making clear decisions based on the findings of the audit firm and this results in the growth of the commercial banks hence improved financial performance

The same was advocated by Farouk and Hassan (2014) who investigated the impact of audit quality on the financial performance of quoted cement companies in Nigeria. They geared towards determining the effect of auditor independence and audit firm size as proxies for audit quality on financial performance by means of multiple regression analysis. Findings showed that audit firm size and auditor independence have vitalimpacts. However, auditor independence is additionally powerful than auditor size on firm financial performance, the same findings were also Lee et al. (2016) who investigated whether or not the impact of the quality of financial statements is higher once financial statements are audited by the large accounting companies. They discovered that investors will better anticipate future earnings once financial statements are audited by the large accounting companies. Their results gave new proof as to the existing use of these indirect measures in predicting audit quality.

5.1.2 Team competence and financial performance of commercial banks in central district Kampala.

The findings from the regression table shows that there is a positive significant relationship between team competence and financial performance. These findings were both confirmed by both Pearson correlation and regression analysis findings. These findings imply that an increase in team competence would result in to an increases financial performance. In others improving in the attitude towards work by the workers in terms being in position to apply better accounting principles while executing their assignments, being in able to audit accounting information and verifying its accuracy, being able to maintain compliance with various policy manuals and ability to analyse data and draw logical conclusions to accuracy, this will improve their overall performance and result in to improvement in the financial performance of the bank.

In addition, when the team competence is good in terms of the skills they apply at work, where better analytical thinking is used in making decisions, ability to have better decision making skills, better skills in information gathering and good skills in financial reporting, this will improve the financial performance of the bank. Finally the results indicated that team competence in form of their knowledge they possess leads to improved financial performance of the bank. This is because employees who have knowledge in accounting principles, accounting soft wares, and knowledge in the internal control system.

These findings are in line with the findings of Wei and Lau (2018) who found out that a stable and effective team with a strategic outlook and accentuating human resources is crucial for company performance. If the team is functioning effectively and performing well, it becomes expensive to imitate which in turn will improve its performance for example transitional economies, like China (Ramos-Garza, 2019).Once this team incorporates a proactive market-focused strategic orientation, a company will be able to attain a higher level of innovation and firm performance (Zhou et al., 2019).Team competences additionally allows the firm to remodel resources into price offerings, therefore increasing the firm's financial performance (Wei and Lau, 2018). Morgan and Autry (2019) additionally added that it’s not enough to possess resources and capabilities, how capabilities are deployed is more vital for making and sustaining competitive advantage than their mere possession. It is, therefore, the mixture of team skills (technical, human and abstract skills) and the conversion of those skills into performance to result into organizational financial performance (Morgan and Autry, 2019).

5.1.3 The combined relationship between Audit quality, team competence and financial performance of commercial banks in central district Kampala.

The findings from the regression analysis indicated that audit quality and team competence are significant predictors of financial performance of commercial banks in Uganda. This is because the two variables were confirmed since they explain 32.4% of the variations in the financial performance. It can further be noted that improvement in the elements of audit quality which include the audit firm size and proper independence of the audit team in executing their duties, it will enable to them to make an independent report which will indicate the overall financial performance of the banks and indicate implementable recommendation which can improve the overall performance of the bank. In addition, when the team is competent in terms of them having a positive attitude towards work, proper skills in terms of analytical skills and even how to use different software packages that help in data analysis, knowledge in basic principles of accounting, this will lead to improved financial performance of the banks.

The same was advocated by Sukriah et al. (2019) also found out that audit quality and team competence of the auditors showed a positive impact on financial performance of an organization. Sukriah et al. (2019) contended that companies with sound skills, knowledge, and skills in auditing the books of accounts stood a better chance of longevity. It can, therefore, be noted that companies with auditors who are highly knowledgeable, highly able and very skillful will enable a firm, in this case, commercial banks improve financial performance consistent with Wanjohi (2013), the creditworthiness of financial institutions is characteristically in danger once their assets become impaired, thus it's vital to monitor indicators of the quality of their assets and audits. A financial institution with poor audit quality and lacks the skills and knowledge from professionals eventually has an effect on its liquidity position. Ultimately, this negatively impacts on the profitability (BOU, 2016).

5.2 Conclusion

It can be concluded that audit quality has a significant relationship with financial performance of commercial banks in Uganda. This is because it was confirmed by both correlation and regression results. This implies that when the audit firm size is big, in terms of increasing the size by every year, having network branches which are crucial to the bank, when the bank has a number of partners increase every year and the number of clients increasing every year, this will result in to improvement in financial performance.

It can also concluded that team competence has a significant relationship with financial performance of commercial banks in Uganda. This also implies that an improvement in team competence would result in to an increases financial performance. In others improving in the attitude towards work by the workers in terms being in position to apply better accounting principles while executing their assignments, being in able to audit accounting information and verifying its accuracy, being able to maintain compliance with various policy manuals and ability to analyse data and draw logical conclusions to accuracy, this will improve their overall performance and result in to improvement in the financial performance of the bank.

Finally it can be concluded that audit quality and team competence are significant predictors of financial performance among commercial banks in Uganda. This is because the findings from the regression analysis indicated that audit quality and team competence are significant predictors of financial performance of commercial banks in Uganda. This is because the two variables were confirmed since they explain 32.4% of the variations in the financial performance.

5.3 Recommendation

The management of the commercial banks should ensure that they hire quality audit firms and ensure that employees who work in the internal audits are well qualified and they should do this by tracking their history and also how big they are in dealing with different bigger audits. This will enable the commercial banks to get independent and quality reports about their performance and this will help them to continue correcting their mistakes and improve performance.

The management of commercial banks should ensure that the employees have the right attitude towards work, this can be done by ensuring that the environment is conducive for business continuity and it enables workers to be promoted. Skills and knowledge of workers can be done by training them through seminars and workshops, this will improve the way they execute their duties and lead to high performance of the commercial banks.

Finally, the predictor variables in the study account for 32.4% of the variations in financial performance. This covers the two predictor variables of the study. However, the remaining percentage may be attributed to other factors outside this study. This is because financial performance is affected by other factors which differ from one bank to another. Thus, it is important to consider variety of factors than to focus only on the predictor variables in this study.

5.4. Limitations of the study

The current study adopted a quantitative design leaving out the qualitative aspects that would provide an explanation for the situation. This is because the qualitative part would bring out the individual opinions which would have brought out new ideas and the new studies can use triangulation which can bridge this gap

The current study also adopted a cross sectional approach where a single period data was considered. Therefore the chronological aspects of financial performance were not captured. This is also because the longitudinal design helps to capture the trends and also help in trend analysis which guides in the understanding how events have been happening and ways decisions can be made.

Only audit quality and team competence were put into consideration leaving out other factors that influence financial performance of commercial banks, this is because at this level of master's degree, clear objectives about the subject scope is very important therefore, there was need to focus on these study variables.

5.5. Areas for further research

i. The study adopted a cross-sectional research design where data is collected at one point in time and the findings from such studies are always limited to the current period only hence future studies should look at a longitudinal research design where financial performance among commercial banks in Uganda are monitored for a long period of time

ii. The study was restricted to a quantitative approach using a structured questionnaire to elicit information from the respondents meaning that other features that can be observed were not included in the findings and thus future research should incorporate qualitative factors using for example observations and interview guide.

iii. In this study, the variables audit quality and team competence contributed 32.4% towards financial performance, further research should explore other determinants of financial performance and if possible, variables that need to be combined with these variables in order to stimulate financial performance among commercial banks in Uganda.

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APPENDIX 1:

QUESTIONNAIRE

MAKERERE UNIVERSITY BUSSINESS SCHOOL

Dear respondent,

I am a post graduate student, pursuing a Master's Degree in Business administration. I am undertaking a study ***on "Audit quality, Team competence and Financial performance of commercial banks in Kampala Central Division"*** as a partial fulfillment for the award. You have been identified as a resourceful person to this study. Please take a few minutes of your precious time to answer the following questions. Whatever response you give is purely for academic purposes and will be kept with utmost confidentiality. Thank you so much in advance.

For official use

Data entry ID ……………………..Date………………… Division……………………

Section A: Background Information

For each of the following questions, please tick what applies to you.

Ai.Bio data

1. Please indicate your gender

(1) Male ☐ (2) Female ☐

2. Indicate your marital status

(1) Married ☐ (2) Single ☐ (3) Divorced ☐

3. Indicate your age bracket

(1) 10-20 ☐ (2) 21-30 ☐ (3) 31-40 ☐ (4) 41-50 ☐ (5) above 50 ☐

4. What is your role in the bank?

(1)Senior Manager ☐ (2) Auditor ☐ (3) Accountant ☐

(4) Assistant Manager ☐

5. How long have you worked for the bank?

(1) Less than 2years ☐ (2) 2-5years ☐ (3) 6-10years ☐ (4) more than 10years ☐

4 What is the time spent by the bank

(1) Less than 5years (2) 5-9years (3) 10years and above

SECTION B:

In the following section indicate the measure of agreement or disagreement with the statements raised. Your choice is guided by the measures of; 1-Strongly Disagree (SD), 2-Disagree (D), 3-Not sure (N), 4-Agree (A) and 5-Strongly Agree (SA).

(i) **Audit Quality**- *The market-assessed joint probability that a given auditor will both discover a breach in the client's accounting system and report the breach[hint: Here are some indicators of audit quality, kindly tick the appropriate response]*

Source:Matoke and Omwenga, 2016

Code	Statements	SD	D	N	A	SA
	Audit firm size					
As1	The size of our firm has been increasing recently	**1**	**2**	**3**	**4**	**5**
As2	Our branch networks are crucial to us	**1**	**2**	**3**	**4**	**5**
As3	The number of partners have been increasing lately	**1**	**2**	**3**	**4**	**5**
As4	The number of clients have increased in the last 3 years	**1**	**2**	**3**	**4**	**5**
As5	Reliability of financial statement depends on auditing firm size	**1**	**2**	**3**	**4**	**5**
	Audit Fee: *Remuneration payable to an auditor for audit services*					
Af1	Higher audit quality required higher fee.	**1**	**2**	**3**	**4**	**5**
Af2	The auditor's remuneration is based on performance of the	**1**	**2**	**3**	**4**	**5**
Af3	The audit firm's number of years in existence affect the fee we	**1**	**2**	**3**	**4**	**5**
Af4	The number of experienced auditors influence our fee we	**1**	**2**	**3**	**4**	**5**
	Auditor independence: *An auditor's unbiased mental attitude in*	**1**	**2**	**3**	**4**	**5**
Ai1	The auditors perception is tied to the experience at work	**1**	**2**	**3**	**4**	**5**
Ai2	The on auditors decision making is strictly independent	**1**	**2**	**3**	**4**	**5**
Ai3	Our firm makes independent reports	**1**	**2**	**3**	**4**	**5**
Ai4	Size of auditing firms does not affect auditors' independence	**1**	**2**	**3**	**4**	**5**
Ai5	Large auditing firms tend to be less dependent	**1**	**2**	**3**	**4**	**5**

ii) **Team Competence-** *Characteristics that a team member ought to have to successfully get involved in teamwork.*

	Statements	SD	D	N	A	SA
	Attitude; I am able to:					
At1	…apply accounting principles to work assignments	**1**	**2**	**3**	**4**	**5**
At2	…audit accounting information and verifying its accuracy.	**1**	**2**	**3**	**4**	**5**
At3	...maintain compliance with various policy manuals.	**1**	**2**	**3**	**4**	**5**
At4	.. analyze data and draw logical conclusions to accurately	**1**	**2**	**3**	**4**	**5**
At5	…use accounting database and spreadsheet software to input, organize, track, and retrieve data.	**1**	**2**	**3**	**4**	**5**

	Skills; I am skillful in;					
Sk1	Analytical thinking	**1**	**2**	**3**	**4**	**5**
Sk2	Decision making	**1**	**2**	**3**	**4**	**5**
Sk3	Information gathering	**1**	**2**	**3**	**4**	**5**
Sk4	Financial reporting	**1**	**2**	**3**	**4**	**5**
Sk5	Anticipating and adapting to change	**1**	**2**	**3**	**4**	**5**
	Knowledge: **I have knowledge about;**					
Kd1	Accounting principles.	**1**	**2**	**3**	**4**	**5**
Kd2	Accounting software packages	**1**	**2**	**3**	**4**	**5**
Kd3	Internal control procedures	**1**	**2**	**3**	**4**	**5**
Kd4	The accounting cycle.	**1**	**2**	**3**	**4**	**5**
Kd5	Interpretation of financial statements	**1**	**2**	**3**	**4**	**5**
Kd6	Reconciliation of bank statements	**1**	**2**	**3**	**4**	**5**

iii) Financial Performance:

	Profitability					
FP1	Our organization's revenue is growth is stable	**1**	**2**	**3**	**4**	**5**
FP2	Our organization always meets its revenue targets	**1**	**2**	**3**	**4**	**5**
FP3	Our revenues are increased by good collection practice	**1**	**2**	**3**	**4**	**5**
FP4	Our revenues are increased by good competent team	**1**	**2**	**3**	**4**	**5**
FP5	We can increase our revenue if we strengthen audit quality	**1**	**2**	**3**	**4**	**5**
FP6	The company's revenue has been increasing in the last 12months	**1**	**2**	**3**	**4**	**5**
FP7	Our organization's revenue has been increasing over time	**1**	**2**	**3**	**4**	**5**
FP8	Our organization's revenue growth rate is high	**1**	**2**	**3**	**4**	**5**
FP1	Our organization's revenues supersede its costs	**1**	**2**	**3**	**4**	**5**
	Revenue growth	**1**	**2**	**3**	**4**	**5**
FR1	Our cash levels are adequate	**1**	**2**	**3**	**4**	**5**
FR2	The firm has no cash constraints	**1**	**2**	**3**	**4**	**5**
FR3	Stringent auditing quality measures have increased our cash levels	**1**	**2**	**3**	**4**	**5**
FR4	Our organization enforces adequate auditing quality practices	**1**	**2**	**3**	**4**	**5**
FR5	Our organization has not suffered from cash constraints	**1**	**2**	**3**	**4**	**5**
FR6	Our organization's cash flows meets industry average	**1**	**2**	**3**	**4**	**5**
FR7	Our organization's cash levels have improved over time	**1**	**2**	**3**	**4**	**5**
FR8	Our organization's cash levels have improved in the last 12 months	**1**	**2**	**3**	**4**	**5**
FR9	Our organization has enough cash to meet day to day operations	**1**	**2**	**3**	**4**	**5**

Liquidity		**1**	**2**	**3**	**4**	**5**
FL1	Our cash levels are adequate	**1**	**2**	**3**	**4**	**5**
FL2	The firm has no cash constraints	**1**	**2**	**3**	**4**	**5**
FL3	Stringent auditing quality measures have increased our cash levels	**1**	**2**	**3**	**4**	**5**
FL4	Our organization enforces adequate auditing quality practices	**1**	**2**	**3**	**4**	**5**
FL5	Our organization has not suffered from cash constraints	**1**	**2**	**3**	**4**	**5**
FL6	Our organization's cash flows meets industry average	**1**	**2**	**3**	**4**	**5**
FL7	Our organization's cash levels have improved over time	**1**	**2**	**3**	**4**	**5**
FL8	Our organization's cash levels have improved in the last 12 months	**1**	**2**	**3**	**4**	**5**
FL9	Our organization has enough cash to meet day to day operations	**1**	**2**	**3**	**4**	**5**

Source: Ally, 2013;Ongore, 2013

APPENDIX II: LIST OF COMMERCIAL BANKS

SN	List of Licensed Supervised Commercial Banks in Uganda (Tier 1)
1	ABC Capital Bank Uganda Limited
2	Afriland First Bank Uganda Limited
3	Bank of Africa Uganda Limited
4	Bank of Baroda Uganda Limited
5	Bank of India Uganda Limited
6	Absa Bank Uganda Limited)
7	Cairo International Bank limited
8	Centenary Rural Development Bank Limited
9	Citibank Uganda Limited
10	Commercial Bank of Africa Uganda Limited
11	DFCU Bank Limited
12	Diamond Trust Bank Uganda Limited
13	Ecobank Uganda Limited
14	Equity Bank Uganda Limited
15	Exim Bank Uganda Limited
16	Finance Trust Bank Uganda
17	Guaranty Trust Bank Uganda Limited
18	Housing Finance Bank
19	KCB Uganda Limited
20	NC Bank Uganda Limited
21	Opportunity Bank Uganda Limited
22	Orient Bank Limited
23	Stanbic Bank Uganda Limited
24	Standard Chartered Bank Uganda Limited
25	Tropical Bank Limited
26	United Bank for Africa Uganda Limited

Source: Bank of Uganda, 2021

Appendix 3: Table for determining sample size from a given population

N	S	N	S	N	S	N	S	N	S
10	10	100	80	280	162	800	260	2800	338
15	14	110	86	290	165	850	256	300	341
20	19	120	92	300	169	900	269	3500	346
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	354
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	191	1200	291	6000	361
45	40	170	118	400	196	1300	297	7000	364
50	44	180	123	420	201	1400	302	8000	367
55	48	190	127	440	205	1500	306	9000	368
60	52	200	132	460	210	1600	310	10000	370
65	56	210	136	480	214	1700	313	15000	375
70	59	220	140	500	217	1800	317	20000	377
75	63	230	144	550	226	1900	320	30000	379
80	66	240	148	600	234	2000	322	40000	380
85	70	250	152	650	242	2200	327	50000	381
90	73	260	155	700	248	2400	331	75000	382
95	76	270	159	750	254	2600	335	100000	384

Note: "N" is population size
"S" is sample size.

Krejcie, Robert V., Morgan, Daryle W., "Determining Sample Size for Research Activities", Educational and Psychological Measurement, 1970