

**EXTERNAL AUDIT AND FINANCIAL PERFORMANCE OF PRIVATE SECURITY
COMPANIES IN RWANDA
A CASE STUDY OF INTERSEC SECURITY COMPANY LIMITED (PERIOD OF
STUDY: 2008 – 2011)**

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ABSTRACT

The purpose of this study was to find out the impact of external audit on financial performance of Private Security Companies in Rwanda. It was carried out in INTERSEC Security Company Limited with the following objectives: to identify the aspects of external audit applied in ISC; to assess the company financial performance and to examine the relationship existing between external audit and financial performance. The research was helpful to the researcher, to further researchers and to the organization under study (ISC). The researcher reviewed literature related to external audit and financial performance aiming to identify the gaps the study was to fill and highlighted the importance of external audit and its impact on financial performance. The targeted population of this research was 134 employees of ISC working at the Head Office among them 25 were purposively selected to be the sample for the study. Data were collected through qualitative and quantitative approach using open ended questionnaires and interview to get the best results. Data collected were presented using tables and figures while analysis and interpretation was done in regard to frequencies and percentages of respondents' view and financial ratios presentation as well. The analysis revealed that external financial audits in ISC have been conducted by qualified auditors in a reasonable independence and objectivity, in good relationship with management but also interacting with internal audit function. These audit aspects enabled the external auditors' work to have a positive impact on financial performance of ISC specifically over the period of 2008 – 2011. Even though external audit played a big role in financial performance improvement of ISC, basing on the research facts and findings, the researcher among others recommends the company management to sharpen and develop the technical knowledge for staff through professional courses and continuous trainings to enable them keep on track with the changes in the accounting and auditing fields. The company should include all areas of risk by performing other types of audits such as IT audit to ensure accuracy of financial information in all areas and prevent potential frauds made using technology. The management should strengthen the tax compliance processes, to manage the resultant financial losses which may be incurred on penalties and interest.