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DOES AUDIT FIRMS' INTEGRITY MATTER IN AUDIT QUALITY? EVIDENCE FROM UGANDA

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ABSTRACT

The aim of the study was to investigate the effect of audit firms' integrity on the audit quality of selected audit firms in Kampala Central division. The study utilized a cross-sectional survey design. Semi-structured questionnaires and interviews were used to collect data from a sample of auditors in the selected audit firms in Kampala Central Division. Data were analyzed using narrative, descriptive, Pearson correlation, and simple regression analyses. Findings revealed that audit firms' integrity significantly and positively affects the audit quality of selected audit firms in Kampala Central Division. Integrity requires audit firms to be honest, transparent, prudent, and trustworthy to conduct a quality audit. Auditors should uphold their professional ethical standards for the organizations they work for, the community, and themselves because shareholders and other users of financial statements heavily rely on their work to make informed decisions.

Keywords: Audit Firms' Integrity, Accounting, and Auditing Standards, Audit Quality, and Uganda.

1.0 INTRODUCTION

Shareholders and other users of financial statements heavily rely on the work of professional accountants and auditors to make their informed decisions. Society places a high premium of trust and expectations of professional accountants and auditors and therefore the information provided by these professionals should be realistic and unbiased. Different stakeholders rely on the opinion of the accountants who prepare the financial statements as well as the auditors who verify them to establish whether they reflect a true and fair view of the state of affairs of the operations and financial position of the different entities. Ethics can help accountants and auditors overcome the many ethical dilemmas, and allow better decisions that benefit the company and the public who rely on their financial statements and auditors' reports.

To conduct quality audits the auditors must comply with International standards for Auditing. Similarly, accounting and auditing in Uganda require auditors to have and apply professional ethics that include among others integrity. Audit quality is a function of the auditors' ability to detect material misstatements and reporting errors among other things (Al-Ajmi, 2009). On the other hand, professional ethics is the art of applied ethics which deals with examining ethical principles and morals or problems arising from the business environment (Gramling & Myres, 2003). Auditing is considered globally as a key function performed to show the efficiency and effectiveness of organizations in both the public and private sectors. The auditors' responsibility is to express an independent, objective opinion on the financial statements to guide shareholders in their decision-making (Porter, 1997). The accounting and auditing standards act as guidelines to the auditors when conducting audits on a company's financial statements which help to ensure accuracy and reliability among others which are measures of a quality audit (Wright & Capps, 2012).

The quality of an audit is achieved when the audit is performed on the basis of auditing standards which give all conditions to provide reasonable assurance that financial statements are prepared in accordance with generally accepted accounting principles and are not misstated due to fraud or errors (Adeiza & Usman, 2014). Audit quality is how well an audit detects and reports material misstatements, reduces information asymmetry between management and shareholders, and thus assists to protect the interest of shareholders (Salami & Azary, 2008). When audit quality is endangered, audit reports provide a lower level of assurance to users of financial statements. Auditors should uphold their professional ethical standards for the organizations they work for, the community, and themselves (Kadondi, 2012; & Abubaker, 2006)

When an auditor has adequate personal qualities such as integrity, she/he may not be in a position to commit fraud and this will lead to a quality audit (Rezaee & Zabihollah, 2002). Integrity requires audit firms to be honest, transparent, prudent, and trustworthy while carrying out their work. The value of an audit firm is weakened when its integrity is questionable (Bernardi, 2008). Weak integrity encourages unethical decisions and fraudulent behaviors (Collaghan, Savage, and Mintz, 2007). The auditors' profession is required to follow the professional code of ethics which includes integrity objectivity and professional competence among others. This study was interested in investigating how audit firms' integrity affects audit quality in selected audit firms in Kampala Central Division. It is expected that if the audit firm is honest, transparent, prudent, and trustworthy in carrying out audits, it will build trust among clients which leads to reliable information and informed decision-making (Wedemeyes, 2010).

To improve the audit quality, Uganda established the Institute of Certified Public Accountants of Uganda in 1992, now the Accountants Act 2013, which is responsible for regulating, maintaining accounting and auditing standards, licensing and setting ethical requirements for accounting firms and also regulating the conduct of accountants in Uganda among others. The accounting and auditing standards act as guidelines to the auditors when conducting audits on a company's financial statements which help to ensure accuracy and reliability among others which are measures of a quality audit (Muhammad, 2015)

The history of accounting began with the separation of the duties of agents from the principal, where the principal provides funds and the agent uses the funds and prepares reports on how the funds were used (which is accounting). The auditor verifies the genuineness of such reports and gives his opinion before such is presented to the principal. Audit objective in the early period was primarily designed to verify the honesty of persons charged with physical responsibilities. Therefore, the sole duty of auditors was to detect fraud and the auditor was seen as an agent and not as a watchdog as emphasized in the policeman's theory. This means the quality of auditing was a questionable aspect as professional ethics were lacking in most of the financial transactions (Ramamourt, 2003; Ojong & Ekponta, 2014; Rittenberg & Schwieger, 2005 and Stewart & Subramanian, 2010)

Ethics in professional accounting are of utmost importance. The nature of work carried out by accountants and auditors requires a high level of ethics because shareholders and other users of the financial statements rely heavily on them to make informed decisions.

The external audit function in Uganda dates back to the 1920s when Uganda was a protectorate and its accounts were audited by the Colonial audit office in London (Auditor General, 2016). Its first local office was established in Entebbe headed by an auditor in 1929. In 1962, the office started expanding by opening regional offices.

Although audit firms comply with accounting and auditing standards which require auditors to have and apply professional ethics, for example, integrity, the auditing profession has been in the public sport-light in the past recent years along with cases (e.g Arthur Anderson’s responsibility in the collapse of Enron in the United States). Over the years allegations and scandals of unethical conduct have been directed toward auditors. In Uganda, the office of the Auditor General continues to report professional ethical issues in auditing in some districts despite progressive reforms in the auditing profession (Auditor General Reports, 2018, 2019). Also in the private sector in Uganda, despite auditing firms following professional ethics and standards to produce independent and objective opinions for their clients, they continue to be queried by the public about the quality of their audits (ICPAU, 2020). The Institution of Certified Public Accountants of Uganda (ICPAU) has continued to emphasize the importance of ethics in preparing quality audits. The president of ICPAU recently argued audit firms emphasize leadership, quality assurance, ethics, and employment of best accounting practices and promised to take action against all those audit firms that compromise quality (Kibbedi, 2020). Although the literature indicates that integrity affects audit quality, it does not indicate how integrity is implemented by audit firms and how it affects audit, quality. This study, therefore, was interested in investigating the effect of audit firms’ integrity on audit quality. The hypothesis tested was that “There is no statistically significant effect of audit firms’ integrity on audit quality of audit firms.

2.0 LITERATURE REVIEW

2.1 Theoretical Framework

The study was based on the Agency theory. Jensen (2001) defines agency as the contractual relationship in which one or more persons (the principal), employs an (agent) to perform some action on his behalf, which involves delegating certain decision-making process to the agent. The main objective of the agency theory is to structure the contractual relationship between the conflicting groups so that agents take actions to maximize the interests of the principals (Tiessen & Waterhouse, 1983).

Company shareholders through their Board of directors hire managers including accountants and delegate the management of their companies to these agents. The managers are supposed to run the companies effectively and efficiently. Accountants as part of management are supposed to prepare financial statements according to the applicable accounting framework. The companies also hire auditors to give their opinions on the financial statements. Professional accountants and auditors must behave ethically to maximize value for the shareholders and other stakeholders in the companies. Accounting and auditing standards which are generally accepted in Uganda and elsewhere require auditors to apply professional ethics while carrying out their functions which are used to measure the quality of audits. Owners of the companies entrust auditors to ensure that the financial records of their companies are kept properly in accordance with the applicable accounting framework on their behalf. The Board of directors supervises managers including accountants and the auditors visualize the whole accounting work done by the accountants.

Agency theory was therefore relevant to this study because audit quality is concerned with providing an audit opinion according to the auditing standards. It is also how well an audit detects and reports material misstatements, reduces information asymmetry between management and shareholders, and thus assists to protect the interest of shareholders (the principals) Salami and Azary, 2008. When audit quality is endangered, audit reports provide a lower level of assurance to users of financial statements. Judgment of evidence is always guided by international standards on auditing and any other relevant laws and policies. The agency theory was therefore used to describe, explain and predict audit quality in this study.

2.2 Audit Quality

Audit quality is defined as conformance to auditing standards during audit performance (Otieno Polo & Oima, 2013). In this study, audit quality was operationalized as the reliability of evidence, timeliness of reports, and understandability of reports. Audit evidence is the information obtained by the auditor or audit firm in arriving at the conclusions on which the audit opinion is based (Al-Ajmi, 2009). Failure to provide timely information to investors and other users of audit information makes the financial information irrelevant and unreliable. Understandability of reports means that users will perceive the exact meaning of information.

The quality of an audit is achieved when the audit is performed on the basis of auditing standards which give all conditions to provide reasonable assurance that financial statements are prepared in accordance with generally accepted accounting principles and are not misstated due to fraud or error (Morris, 2014). Audit practices are procedures established by audit firms to ensure that financial reports communicate relevant and reliable information to shareholders and the public. These practices vary from one audit firm to the other depending on their size, nature of activities, and applicable legislation. Audit quality is how well an audit detects and reports material misstatements, reduces information asymmetry between management and shareholders, and thus assists to protect the interest of shareholders (Salami and Azary, 2008). Audit quality is also the probability that financial statements contain no material misstatements (Palmrose, 1988). All definitions of audit quality emphasize compliance with relevant audit procedures and standards (Al-Khaddash et. al 2013).

While some previous studies have discussed audit quality in terms of the size of the audit firm, (e.g Beatty, 1989; Titman and Trueman 1986), this study looked at audit quality in terms of audit evidence of reports, timelines of reports, and understandability of reports and how auditors comply to international standards on auditing.

2.3 Professional Ethics

Professional ethics refers to the accepted standards of personal and business behaviors, values, and guiding principles that are established by professional organizations to help guide members in performing their job functions according to sound and consistent ethical principles (Gramling & Myres, 2003). The auditors' profession is required to follow the professional code of ethics which includes integrity, professional competence, and objectivity among others. Behaving ethically is an essential and expected trait for professional accountants and auditors. Shareholders, potential shareholders, and other users of financial statements heavily rely on financial statements prepared by accountants and verified by auditors to make their informed decisions (Al-Khaddash etal, 2013). Besides professional standards, professional ethics are an integral part of audit quality. A quality audit is one which is carried out in accordance with the provisions of professional ethics as well as with auditing standards and laws. (Morris, 2014). The reasoning that underlies professional ethics in every profession is the need for the public's trust in the quality of services delivered by the profession, regardless of the members of the profession who submit these services (Green, 2003). Auditors should uphold their professional ethical standards for the organizations they work for, the community and themselves. The problem faced by auditors in improving the audit quality is how to improve their attitude and their behavior in conducting audits so that the supervision carried out is reasonable, effective, and efficient Financial Reporting (council, 2007). When an auditor has adequate personal qualities such as experience, independence, and integrity, the auditor may not be in a position to commit fraud and this will lead to a quality audit (Otieno Polo & Oima, 2013). Ethics remains one of the performance qualities of the accounting and auditing profession (Francis, 2004). The ethics dimension of the audit quality focuses on the importance of the auditors' ethical disposition at the organizational level, team level, and by the individual auditor at all times (Adebayo, 2005). In this study, professional ethics were operationalized as audit firms' integrity. Audit firms' integrity was further operationalized as honesty, trustworthiness, transparency, prudent and free, and fairness while carrying out their work.

2.4 Audit Firm's Integrity and Audit Quality

Audit firms' integrity refers to a requirement by auditors to adhere to moral and ethical principles of observing both the form and spirit of auditing and maintaining irreproachable standards of professional conduct (Hameed, 1995). Integrity requires audit firms among others, to be honest, transparent, prudent, and trustworthy while carrying out their work and without sacrificing the secrets of the recipient of the services (Green, 2003). Integrity can accept unintentional errors and disagreements honestly, but cannot accept fraud or abolition of principles.

Integrity is a quality that underlies public trust and is a benchmark for members in testing all decisions taken (Wedemeyer, 2010). The increasing number of corporate fraud cases has put more pressure on audit firms to improve their assessment of management integrity (Attard, 2000; Petrick and Scherer, 2003). The value of an audit firm is weakened when the audit firm's integrity is questionable (Bernardi, 2008).

Different stakeholders' confidence in the independence of the firm is strongly connected to their confidence in audit firms' ability to challenge management although this function is not always appreciated by many audit firms. Improving audit firms' skills in evaluating management's integrity is vital to reinforce shareholders' confidence in the audit process.

The audit standards although require audit firms to evaluate management integrity, they do not guide on methods of assessing that integrity which could have an impact on audit quality and the likelihood of detecting fraud. Emma, Okafor, and Ijeoma (2009) confirmed that the evaluation of management integrity has an effect on audit risk and that it is a critical part of developing an opinion on the fair presentation of financial statements.

Integrity requires audit firms to comply with technical and ethical standards as the firms' integrity has an influence on audit quality. If the audit firm is honest, transparent, prudent, and trustworthy in carrying out audits, it will build trust among the clients which leads to reliable information and informed decision-making (Wedemeyer, 2010).

Several studies are available on integrity and different variables. For example, Davidson & Neu, (1993), aver that management's attitude and reactions towards the audit could give audit firms an idea about management's level of integrity and could be a good indicator of fraud. Others (e.g Firth, 1980 & Rittenhouse, 2015) indicate that integrity is a core determinant of audit quality. Weak integrity encourages unethical decisions and fraudulent behavior (Collaghan, Savage, and Mintz, 2007). Others found a significant relationship between internal controls and audit compliance and quality. According to Francis (2004), the higher the auditor's commitment to applying professional ethics, the higher the quality audit report will be. Salami and Kangalouei (2010) investigated the effect of audit quality on the accrual reliability of listed companies and found the existence of a more accrual stability coefficient in audit firms with higher audit quality than those with low audit quality. Al-Khaddash et.al (2013) drawing data from Jordanian commercial banks, did work on the factors affecting the quality of auditing. Results indicated a positive and significant association between audit quality and audit efficiency, the reputation of the auditing office, auditing fees, the size of the audit firm, and the proficiency of the auditor.

Others have also carried out research examining the various concepts relating to audit quality, for example, factors affecting quality differentiation between audit firms and auditors (Firth, 1980). Still, other researchers looked at the size of the audit firm and audit quality stating that larger audit firms are associated with high audit quality (Defond & Lennox, 2011 & Guy, Ahmed & Randal, 2010). All the above studies indicate that there are still gaps in regard to how relevant audit firms' integrity is, in determining audit quality of audit firms. Further, although the literature indicates that integrity affects audit quality, it does not indicate how integrity is implemented by selected audit firms in Kampala and how it affects audit quality. This gap was covered by this study. Many prior studies were on other variables and beyond Uganda. This study, therefore, specifically examined the effect of audit firms' integrity, on the audit quality of selected audit firms in Kampala, Uganda". The null hypothesis tested was that "there is no statistically significant effect of audit firms' integrity on audit quality of audit firms. In the study, integrity was operationalized as honesty, transparency, prudence, and trustworthy of audit firms while carrying out the audits. Audit quality was measured in terms of the reliability of the evidence, timeliness, and understandability of reports.

3.0 METHODOLOGY

3.1 Research design

The study utilized a cross-sectional survey and case study design and considered both quantitative and qualitative approaches. The study was cross-sectional because it was conducted across participants at a point in time and was intended to pick only some representative sample elements of the cross-section of the population. The survey design enabled the collection of data from a large number of respondents. It was preferred because the researchers intended to generalize from the sample used to the whole target population in Kampala. A case study of selected audit firms provided an in-depth study of the problem with a limited time scale (Amin, 2005). A quantitative approach was utilized because the study consisted of variables measured with numbers and analyzed with statistical procedures. The qualitative approach helped in collecting data using views, comments and judgments of selected respondents on the themes the study raised.

3.2 Study population

The study was in the area of audit quality and was conducted in Kampala district, central division. According to ICPAU (2020), there are over 200 audit firms in Uganda and 150 in the different divisions of Kampala. Specifically, Kampala central division had 110. Therefore, Kampala central division which has the most number of audit firms was chosen for that matter. It was also convenient in terms of time and costs to collect data from Kampala central division. The study population was all audit firms in Kampala registered with the Certified Public Accountants of Uganda (CPAU). Due to time, costs, and other constraints, the researchers found it more convenient to carry out the study on part of the target population which was more accessible, which hence became their sampled/accessible population. The unit of analysis was the audit firms and the unit of inquiry were the auditors in the different selected audit firms.

3.3 Sample size

Audit firms were randomly selected using the list from ICPAU. Respondents were proportionately and randomly selected based on the audit firm's size. The sample, size of audit firms selected randomly was 12 and a sample of 120 auditors was selected (proportionately and randomly) after determining the sizes of the audit firms selected.

3.4 Sampling techniques and procedures

The target audit firms were divided into three categories according to the sizes of the audit firms in Kampala, central division (small, medium, and big). Then, 4 firms from each category were selected. This helped to ensure a representative sample. Respondents from each firm were proportionately and randomly selected to take care of the sizes of the audit firms and to ensure all auditors had equal chances of participating in the study.

3.5 Data collection Sources and instruments

The required data that were collected were of two types namely, primary and secondary data.

3.6 Primary data collection

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Primary data were collected mainly using structured self-administered questionnaires because auditors needed some time to give their considered opinions and was also used on account of a quick turn-around in collecting data from a large number of participants (Amin, 2005). Semi-structured questionnaires were used to collect the primary data because they could accommodate both closed and open-ended questions as suggested by Amin (2005). An interview guide was utilized to interview key informants including audit managers and officials from ICPAU. A structured interview guide was chosen because an interview helps to explore a topic in-depth and to reveal the reasons and motivations that made a person behave in a certain way. That is, it gives one the opportunity to probe in-depth and clarify areas where ambiguity and misunderstanding may exist (Kakooza, 1997).

3.7 Secondary data collection

Internally, secondary data collection involved getting audit reports, annual reports, minutes, and other documents such as Auditing standards, the Accountants Act, and other applicable laws. For external sources, the researcher used documents like official national publications, international publications, textbooks, journals, and the internet among others.

3.8 Data quality control

The validity and reliability of the research instrument had to be established as illustrated below;

3.9 Validity

To ensure content validity of the instrument (i.e its representativeness of the domains under study-Amin, 2004). Questions, and items were rated by two research experts using the following codes; Very Relevant (VR), Relevant (R), Irrelevant (I), and Very Irrelevant (VI) and the following formula;

$$\text{CVI} = \frac{\text{No.of items declared valid (relevant)}}{Total\ No.of\ items}$$

$$\text{Overall CVI} = \frac{36}{41} = 0.878$$

Results indicate that the CVI for the whole self-administered questionnaire was 0.88, which was greater than 0.70, the recommended validity as Amin (2005), advises. Hence, the questionnaires were considered valid for data collection.

3.10 Reliability

To ensure the reliability of the instrument, it was pre-tested in two audit firms that were outside the selected audit firms to ensure consistency and dependability of the instruments and their ability to tap data that would answer to the objectives of the study. The reliability of data was also tested using Crombach’s alpha method as provided by SPSS. The reliability value for the whole questionnaire was 0.845 which was high and above 0.70 as recommended by Amin (2005), suggesting that the scales measured the variables reliably.

3.11 Data Processing and Analysis

Data processing involved data editing, and data categorization where each category was given an identification code, data entry, and data summary. During data editing, obvious errors such as non-uniformities in recording answers were checked and eliminated wherever possible. After the data had been entered, they were exported to SPSS for further processing and analysis. For data analysis, descriptive analysis was utilized to describe the sample from which data was collected through means and standard deviations. Correlation and regression analyses were utilized to establish whether there were significant associations and the effect of audit firms' integrity on audit quality respectively. All the qualitative data that were collected through open-ended questions in the questionnaire and interviews were categorized, summarized, organized and analyzed along themes of the major variables. This was used to triangulate findings obtained through quantitative analysis.

3.12 Ethical Considerations

Extreme care was taken to avoid doing any harm to the respondents. Their informed consent was obtained and their rights to privacy were observed. The following activities were also implemented by the researchers: informing participants of the benefits of the study, presenting the findings in a generalized manner and acknowledging the authors cited in the study, and referencing them.

4.0 FINDINGS AND DISCUSSIONS

The objectives of the study were to investigate the effect of audit firms' integrity on audit quality in selected audit firms in Kampala Central Division, Uganda. The findings are organized and presented in line with the objective of the study. According to the study, the independent variable was audit firms' integrity operationalized as honest, transparence, prudent, and trustworthy in carrying out audits. The dependent variable was audit quality measured in terms of reliability of evidence, timeliness, and understandability of reports.

In the next sub-sections, the summary of descriptive statistics, associative relationships, and regression results are given.

4.1 Descriptive Statistics Results

To describe the sample from which data was collected, descriptive analysis was carried out and the results are given in Table 1.

Table 1: Summary of descriptive statistics on Audit Firms' integrity and audit quality

Variable	t	Mean	Standard deviation
Audit firms' integrity	5.302	4.02	0.496
Audit quality	7.071	3.96	0.560

Summary descriptive results in Table 1, indicate that respondents rated themselves high on average on all aspects of audit firms' integrity (mean = 4.02, std = 0.496, t=5.302) at 0.01 significance level, suggesting that audit firms were practicing integrity issues in their audits.

Further, results indicate that respondents also rated themselves high on average on all aspects of audit quality (mean=3.96, STD=0.560 and t=7.071) at a 0.01 significance level, again suggesting that quality audits were being carried out. The corresponding standard deviations for audit firms' integrity (0.496) and audit quality (0.560) respectively, were numerically small, suggesting low dispersion in the sample. That is, responses given by majority of the selected respondents as individuals did not deviate much from their average as a whole sample.

Generally, descriptive statistics results on integrity of audit firms indicated that audit firms were complying with professional ethics code while conducting audits; were providing their audit opinions with utmost honesty, clients had trust in audit services provided; audit firms were always transparent while carrying out audits; auditors were always prudent while presenting the audit opinions and that auditors were free and fair while carrying out their audit work.

On audit quality, results showed that auditors obtain sufficient, appropriate evidence from clients on which audit opinions are based; interview different people to gather more evidence to guide audit opinions; examine all the entity's documents that are relevant to the audit to gather evidence on which they base their opinions; judgment of audit evidence is always guided by the international standards on auditing and any other relevant policies. Further, results showed that audit firms provide timely audit reports to all their clients to facilitate their decision making process and that audit reports were always clearly written according to international standards for audit, comprehensive, concise for easy interpretation and well organized for easy understanding.

4.2 Correlation Results

To establish whether there was an associative relationship between audit firms' integrity and audit quality in selected audit firms in Kampala Central Division, a bivariate analysis was conducted using the pearson correlation method. The strengths of the correlation was interpreted on the following basis: (0.00-0.29, very low; 0.30-0.49, low; 0.50-0.69, moderate; 0.70-0.89, high and 0.90-1.00, very high). Correlation results are presented in Table 2.

Table 2: Correlation of Audit firms' Integrity and Audit Quality

		Auditors Integrity	Audit Quality
Auditors Integrity	Pearson Correlation	1	0.687**
	Sig (2=tailed)		0.000
	N		96
Audit Quality	Pearson Correlation	0.687**	1
	Sig(2-tailed)	0.000	
	N	96	

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

Correlation results in Table 2, indicate that there is a significant positive moderate associative relationship between audit firms' integrity and audit quality (r=0.687, sig=0.000) at 0.01

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significance level. The positive associative relationship if predictive, suggests that when audit firms' integrity practices are increased, audit quality would increase in the same direction in selected Audit firms in Kampala Central Division, Uganda. However, there was need to determine whether the relationship was predictive or not. In this case, simple regression analysis was done and regression results are presented in Table 3.

Table 3: Simple Regression Results of Audit Firms' Integrity and Audit Quality.

Model		Sums of squares	df	Mean square	F	Sig
1	Regression	36.000	1	39	116.654	0.000
	Residual	22.000	95	0.198		
	Total	58.000	96			

R=0.687, R-Square=0.574, Adjusted R Square =0.571. Predictor: audit Firms' Integrity, Predicted Audit Quality.

Simple regression results in Table 3, indicated that audit firms' integrity aspects are collectively explanatory variables of audit quality in selected audit firms in Kampala Central Division (F=116.654,sig=0.000). R square which shows the explanatory power of the model was 0.574. According to Amin (2005), R Square above 0.5 is acceptable. The probability of getting the same results, if the researchers went back to the field was high. Audit firms' integrity explains 57.1% to variations in audit quality of selected audit firms in Kampala Central Division (adjusted Square =0.571). This was also supported by the regression value of 36 compared to residual value of 22. The hypothesis tested in this study was rejected. There is thus a statistically significant effect of audit firms' integrity on audit quality of selected audit firms in Kampala. Finding concurs with Bernardi (2008) who indicated that integrity requires audit firms among others to be honest, prudent and trustworthy while carrying out their work and that the value of an audit firm is weakened when its integrity is questionable. Results also agree with Rittentouse 2015, who indicate that integrity is a core determinant of audit quality.

In the same vein collaghan, savage and Mintz, 2007 also indicate that weak integrity encourages unethical decisions and fraudulent behaviors. Findings also tally with previous researchers such as Morris, (2014), who aver that the quality of an audit is achieved when the audit is performed on the basis of auditing standards which give all conditions to provide reasonable assurance that financial statements are prepared in accordance with Generally Accepted Accounting Principles and are not misstated due to fraud or errors and Otieno Polo & Oima, (2013) who indicated that when an auditor has adequate personal qualities such as experience, independence and integrity, she/he may not be in position to commit fraud which leads to quality audit.

5.0 CONCLUSIONS AND RECOMMENDATIONS

The objective of this study centered on investigating the effect of audit firms' integrity on audit quality in selected firms in Kampala, Central Division. The hypothesis tested in line with the study objective was that there is no statistically significant effect of audit firms' integrity on

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audit quality of audit firms. From the study findings it can be concluded that audit firms' integrity is a statistically significant influential factor of audit quality of audit firms.

Integrity requires audit firms among others to be honest, transparent, and prudent and trust worthy, while carrying out their work. The value of the audit firm is weakened when its integrity is questionable and weak integrity encourages unethical decisions and fraudulent behaviors. To conduct a quality audit, audit firms must comply with accounting and international standards for auditing, because they act as guidelines to the audit firms when conducting audits on companies' financial statements which ensure accuracy and reliability which are the measures of a quality audit. Auditors should uphold their professional ethical standards for the organizations they work for, the community and themselves to be able to register quality audits and because shareholders and other users of financial statements heavily rely on them to make informed decisions.

Much as the study has contributed to our understanding of the effect of audit firms' integrity on audit quality, of audit firms, its findings should be used with caution due to the following limitations of the study. First, there were few variables included in the model. For example, it is not only audit firms' integrity that affect audit quality and also audit quality has many other measures. Secondly, the study is essentially a cross-sectional study that looks at firms' integrity on audit quality of audit firms, at a particular point in time. This may not give a complete picture of the phenomenon studied and may limit some of the conclusions obtained.

Considering the above limitations, the study therefore opens up areas for further research. One, more variables for example professional competence and objectivity as may affect audit quality and other measures of audit quality should be included in the model. Secondly, future researchers may consider exploring appropriate econometric methods that may improve the understanding of audit quality.

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