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INTERNAL AUDITING AND SUSTAINABILITY OF SMALL AND MEDIUM ENTERPRISES IN UGANDA

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Abstract: *This study investigates the relationship between internal auditing and sustainability of small and medium enterprises in Uganda using the institutional theory. The research is a cross sectional and perception-based on a sample of data collected from 361 SMEs based in Northern Uganda. Data were analyzed using Statistical Package for Social Scientists and Structural Equation Modelling. The results reveal that there is a significant positive relationship between internal auditing (in terms of controls, procedures and practices) and sustainability of small and medium enterprises in Uganda using data from SMEs based in Northern Uganda. The current study contributes to the literature relating to the dimensions and predictors of sustainability of small and medium enterprises. The study is vital to policy makers and managers in using these findings to promote strict standard operating procedures that do not allow businesses to incur losses. Therefore, basing on the findings, managers should stick to strict design operational work plans and procedures that possess minimum chances of incurring financial losses so as to ensure SMEs survival in the current competitive business environment.*

Keywords: *Internal auditing; SMEs; Sustainability; Uganda*

1. Introduction

This paper intends to examine the relationship between internal auditing (in terms of controls, procedures and practices) and sustainability of small and medium enterprises using data from SMEs based in Northern Uganda. In trying to attain the goal of this study, the current research specifically aims to answer these three specific objectives; i) What is the relationship between controls and SMEs sustainability? ii) What is the relationship between procedures and SMEs sustainability? iii) What is the relationship between practices and SMEs sustainability?

This study stems from the fact that SMEs dominate the business environments of most countries and contribute a high proportion of total employment and gross domestic product (GDP) (Mayr, Mitter & Aichmayr, 2016; Ayyagari, Beck & Demirguc-Kunt, 2007). In Africa, these businesses contribute about 50 % of GDP and at approximately 60% of total employment (Benzing & Chu 2019). In Sub Saharan Africa particularly Uganda, the SMEs sector transcends all the sector boundaries in the production, distribution and marketing channel (Mayanja, Ntayi & Munene, 2019). Recent empiricism in Uganda have dubbed SMEs as the backbone, key drivers and primary catalysts of economic development in Uganda. The main argument for favoring SMEs in Uganda is that they are increasingly playing a strategic role in economic development through creation of jobs, innovation and subsistence incomes (Kasekende & Opondo 2004). According to Common Wealth Secretariat Report findings (2018) SMEs account for 90 percent of the private sector in Uganda and similar findings by UBOS report on the Census of Business Establishments 2019/2020 illustrated that the sector employed over two million people.

Statistics from Ministry of Finance, Planning and Economic Development of Uganda (2019) indicates that SMEs employ 2.5 million people where they account for approximately 90 percent of the entire private sector, generating more than 80 percent of manufactured outputs that contribute 20 percent of the Gross Domestic Product (GDP) (Ninsiima, 2019). This makes the study of SMEs sustainability vital especially given the fact that they contribute to about 70% of total employment and the major contribute to value creation, generating between 50% and 60% of value added on average. In developing economies, SMEs contribute up to 45% of total employment and 33% of GDP (World Bank Report, 2020).

Despite their important contributions to economic vitality, SMEs continue to face failure challenges (BOU, 2021). They only survive for a short time and less than 30 percent of them do not make it past their third birthday (Mweheire, 2018). A large number of businesses fail as they ignore paying attention to the broad area of finance which involves the collection, handling, usage of cash and investments. This is geared towards the active management of an SME's short-term resources to sustain its ongoing activities, mobilize funds where needed and optimize liquidity (Alala, Deya & Busaha, 2013). This necessitates a need to attain counsel, analysis, appraisals and information concerning the activities cash in and out flows amongst SMES that comes inform of internal auditing (Ali et al., 2007). Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve a business' operations (Chintha & Prasand, 2020). According to Chartered Institute of Internal Auditors, the role of internal audit is to provide independent assurance that an organisation's risk management, governance and internal control processes are operating effectively. It helps protect assets and reduce the possibility of fraud, improves efficiency in operations, increases financial reliability and integrity, ensures compliance with laws and statutory regulations. Again, it helps an enterprise accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes (Ruppel, 2006).

In the SMEs' context, internal auditing is conducted by persons outside the business though at times ethical professionals with in the business are tasked to conduct the auditing function (Suuna, 2008). Internal auditing "helps an SME in its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and control processes" (Institute of Internal Auditors (IIA), 2004). This promotes proper use of the available resources (cash) and compliance to timely availing of financial reports that are vital for the survival SMEs. This is consistent with the objective of internal auditing that is to assist members of the business in the effective discharge of their responsibilities especially the effective monitoring of cash in and out flows (IIA, 2008).

Relatedly, Eton (2019), conducted a study and found out that that, 67.7% of the business owners in Uganda were facing survival challenges yet limited efforts have been invested by scholars on examining sustainability of SMEs (Kusi, Optu & Norah, 2015). Specifically, existing studies on SMEs' survival have concentrated on commitment to achieve greater heights, acts of financial indiscipline, irresponsibility, laxity, laziness and questionable poor education system which prepare students for office jobs and gives little attention to skills that are vital for small business continuity (Nangoli et al., 2013). These prior researches on sustainability of businesses seem to have ignored the role of internal auditing in explaining SMEs sustainability in a Sub-Saharan Africa setting. Therefore, the present study contributes to the body of knowledge by examining the power of internal auditing (in terms of controls, procedures and practices) in informing SMEs sustainability using data from Northern Uganda's SMEs.

The next section of this research presents theoretical review, empirical literature review, research design, empirical findings, discussion and conclusion.

2. Theoretical review

In this paper, the researchers adopted the institutional theory to explain SMEs sustainability. The institutional theory centres on the deeper and more resilient aspect of special structure (Scott, 2004). This theory examines the processes by which structure scheme rules, norms and routines become authoritative guideline for social behaviour. The theory emphasizes that institutions exist because structures matter and that structures persist while individuals phase out. On this ground, structures or institutions create greater regularity in human behaviour than would otherwise exist. Scott (1995) argues that the survival of institutions must conform to the rules and beliefs of the systems prevailing in the environment.

Institutional theorists (DiMaggio & Powell, 1983) assert that the organized environment can strongly influence the development of formal structures in an organization, often more profoundly than market pressures. Innovative structures that improve technical efficiency in early-adopting businesses are legitimized in the environment. Relatedly, every business exists in a specific physical, technological, cultural and social environment to which it must adapt (Barber et al., 2013). Institutional theory emphasizes that enterprises are open systems, strongly influenced by their surrounding environment. At the center of institutional theories is the idea that SMEs need a societal mandate or legitimacy to operate, which is obtained by conforming to societal expectations of different types. Legitimacy is a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed systems of norms, values, beliefs, and definitions (Suchman, 1995).

3. Literature review and hypotheses development

3.1 Internal auditing and sustainability

It empowers employees to identify problems and take corrective action to fix these issues. Ultimately, well- implemented and maintained controls enable companies to achieve their established objectives and goals more efficiently (Izedonmi, Adeparubi & Olateru, 2021). Internal auditing institutes checks and balances for all departments to ensure compliance, within and out of the company. Through regular audits carried out, management is able to identify areas of improvement to be worked on so as to remain competitive in the market. Therefore, internal auditing improves the image of the company on the market by advising on areas that need improvement so as to remain competitive.

Internal auditing also helps in reducing risks to acceptable levels. It helps in assisting management of the organization in achieving the strategic objectives of the organization while meeting the expectations of stakeholders (Jawad, Tayseer & Ahmed, 2020). Through audit, reports and recommendations, management uses such reports to make sound financial and investment decisions with less risks and economic bottlenecks. Therefore, internal auditing plays an advisory role to management on where to invest, when to invest and in ventures that have fewer risks. This helps such businesses to sustain themselves in the market because they do not make risky financial decisions that will cost the company.

Internal avoiding is essential as a management tool to ensure the functioning of the economic unit because it is not only finds errors in the process of applying the laws that govern public activities but also reveals errors in the laws themselves (Kashona & Sarafina, 2022). Internal auditing strengthens the compliance levels of every department by giving recommendations on where to improve so that it complies with the laws that govern public activities. This helps the company to increase its competitive leverage in the market hence minimizing costs that would have been incurred as a result of non-compliance.

With internal audit controls, management can understand if the company's financial information and accounting records are accurate and authentic (Kashona & Sarafina, 2022). They can also assess whether the organization is meeting its compliance objectives if any gaps in operations exist, and if there are any costly liabilities. Internal audit controls help reveal whether employees are engaging in potentially fraudulent or unethical behaviors that would demean the minimum acceptable set standards.

The corporate governance of SME's is underpinned by effective internal systems in which the internal audit plays a role in raising the reliability of the internal control system, improving the process of risk management and above all, satisfying the needs of internal users (Izedonmi, Adeparubi & Olateru, 2021). The internal audit support enhances the system of responsibility that the executive directors and employees have forwards the owners and other stakeholders. Taken together, the internal audit departments provide a reliable, objective, and neutral service to the management while stakeholders are interested in return on investments, sustainable growth strong leadership, and reliable reporting on the financial performance and business practices of a company.

Internal auditing is an independent evaluation function created within the company to examine and evaluate its activities. Its goal is to assist stakeholders in carrying out their responsibility effectively to enhance the organization's internal controls (Wahhab, 2022). Internal auditing operates as an essential activity within the company and adds value in the modern business environment (Rahma, 2020). It plays an advisory role as it creates value for the company by improving opportunities and plans functionality. Subsequently internal audit institutes checks and balances for all departments to ensure compliance, within and out of the company. Through regular audits carried out, management can identify areas of improvement to remain competitive in the market. Therefore, internal auditing improves the image of the company on the market by advising on areas that need improvement so as to remain competitive (Okello, 2020). Additionally, it also helps in reducing risks to acceptable levels. this aids in management of the organization in order to achieving the strategic objectives of the organization while meeting the expectations of stakeholders. Through audit, reports and recommendations, management uses such reports to make sound financial and investment decisions with less risks and economic bottlenecks. Therefore, it plays an advisory role to management on where to invest, when to invest and in ventures that have fewer risks. This helps such businesses to sustain themselves in the market because they do not make risky financial decisions that will cost the company (Mandalawi, 2022).

Internal auditing strengthens the compliance levels of every department by giving recommendations on where to improve so that it complies with the laws that govern public activities. This helps the company to increase its competitive leverage in the market hence minimizing costs that would have been incurred as a result of non-compliance (Assad, 2020). It thus enables companies achieve goals by setting unique guidelines for dealing with crises and assisting management in ensuring that employees have the experience and skills necessary to perform their duties. Nappi & Rozenfield, (2018) notes that

internal auditing increases commitment levels of economic units to implement sustainable standards. Through regular audits carried out, economic units are able to operate within acceptable minimum standards that are recognized by law hence improving on the company competitiveness and public recognition (Hegazy & Eldeed, 2020). Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve on organizations' operations (Choo, 2023).
Control systems create a good business environment, monitor irregular activities, balance legitimate rights and interests among stakeholders and achieve sustainable development. These aim at ensuring that their systems if implements can help achieve efficiency and effectiveness and ensure that resources channeled are not misused. Businesses with internal control systems are assured of utilization of resources as pre-planned hence achieving sustainability (Su, 2022). Effective internal controls can improve the accuracy of forecast information and the quality characteristics of accounting information and reduce information asymmetry and agency costs between enterprises and investors and thus contribute to the long-term synergy between enterprises and investors. With forecast information, business managers are able to identify gaps that may lead mismanagement of cash flows and are fixed immediately (Kashat, 2020). Internal control is a process affected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance (Alam, 2019).
These controls improve the quality of accounting information and enhances enterprise sustainability through investor protection. When resources are invested, controls help to ensure that the aim of investing resources is achieved or fulfilled by putting in place control mechanisms that monitor and regulate resources invested by the investor. Besides, internal controls help improve the accrual quality and prevent and correct misstatements and omissions that are intentional or unintentional. In any business environment, risky ventures are taken that may cost the business if not properly monitored and regulated. Therefore, internal controls help mitigate such costs by putting in place control mechanisms that can be implemented to avoid any possible risks (Huda, 2019). Control help provide reasonable assurance of the efficiency and effectiveness of enterprise operations and compliance with laws and regulations. Effectiveness of internal control first acts directly on the information environment for financial reporting. Changes in the financial reporting information environment further generate factors that affect the achievement of other enterprise objectives such as operational and compliance objectives hence contributing to the business sustainability in an improved external environment (Huda, 2019).
Procedures are guidelines set and followed while executing tasks. Procedures help in regulating and guiding the methods of work and its outcome (Weng, 2021). Procedures help in reducing on risks and deviations in business. In the situation where resources are channeled in ventures without carrying out the feasibility, losses are incurred. Consequently, if procedures are followed, chances of investing with minimal risk are high, and hence a business stands high chances of continuity (Bashir et al., 2024). This helps to bring order and sanity in businesses. Its paramount to note that, businesses without proper procedures in place encounter resource misallocation, investment objectives are not achieved. Therefore, procedures help to ensure that resources that would be used to sustain businesses are utilized efficiently to gain profits (Zhong, 2020).
Practices are a set of dos' that are normally adopted by the business and all its stakeholders. It is these practices that set ethical standards that should be followed in the business operations. These eliminate performance deviations in the business. Once they are adopted in the systems, it means whatever is done is in line with acceptable standards of the business. They enhance sustainability in that whatever is done should follow the norm of business that aim at ensuring continuity of the business (Zhong, 2020). Additionally, these practices enable succession planning to take place for the continuity of the business. Once they are adopted, proprietors can identify the potential candidates

that will run the business after their demise. Guidelines of mentorship, coaching and equipping would be successors with skills of running businesses are laid out in the best practices of the business (Masocha, 2018).

Procedures describes the steps that are supposed to be taken while accomplishing a certain task. These also involves a set of standards followed while executing an activity (Lai, 2018). They promote education standards and recognized practices. For example, parents and guardians can appreciate on what is to be done at certain levels of education and appreciate its outcome. They come to understand that psychological development of the child's mind is in certain stages and therefore become patient with the learning stages of the child. At every stage of childhood, they become mentors and inculcate in them virtues and values that are relevant and take them to the next stage in life (Lai, 2018). It is through procedures that people can identify what to plant and when to plant it. While planning to plant a crop during a season, farmers follow steps of planting as guided by agricultural experts. These procedures help to avoid wastage of resources and investing in projects where a person does not have thorough knowledge about. It is through procedures that people take health instructions from their medical doctors while administering treatment. When people visit hospitals for medical check-ups, they are given treatment to take and medics explain to them procedures to be used while taking treatment. Without following procedures, the treatment administered may not work and the process of healing may take longer than what is expected by the medics.

Therefore, the following hypotheses are set forth;

$H_{1:}$ *There is a relationship between internal auditing and SMEs sustainability*

$H_{1(a):}$ *There is a relationship between controls and SMEs sustainability*

$H_{1(b):}$ *There is an association between procedures and SMEs sustainability*

$H_{1(c):}$ *There is a relationship between practices and SMEs sustainability*

4. Methodology

4.1 Research design, population and study sample

This study was limited to small and medium enterprises from Northern Uganda dealing in general merchandise, carpentry, pottery, hardware, restaurants, welding, manufacturing among other businesses. In Northern Uganda, SMEs are viewed as seedbeds for growth of new firms and vehicles for poverty reduction. Deterioration in growth and failures in SMEs is the basis for the researcher to conduct research in this area. SMEs in Acholi and Lango sub regions of Uganda continue to experience significant problems which affect their survival, thus the need for further investigation. There is also scanty literature on different ways to enhance the sustainability of SMEs in Uganda. The scope of the current study was restricted in SMEs based in Northern Uganda only. This is largely because a considerable research gap exists in SMEs found in this area. Most of the research in the field of sustainability is coming from big companies in developed countries (Das & Rangarjan, 2019; Goyal et al., 2015). This study was conducted in Northern Uganda 360 KM North of the capital city of Uganda.

This study adopted a cross-sectional survey that utilized a positivistic view of sustainability of small and medium enterprises (SMEs) in Uganda. From 364 small and medium enterprises, a sample of 186 was utilized. This sample was arrived at by utilizing Krejcie and Morgan's (1970) sample size determination method. This sample size is also considered to be statistically significant based on the recommendations of Cohen (1988), Kock and Hadaya (2018) and Hair et al. (2019a, b). In keeping with Abrahantes et al. (2004) proposal, the unit of analysis was an SME as this was deemed to fit into the provision of a detailed understanding of SMEs sustainability in a Sub-Saharan setting. The unit of enquiry was constituted by owners and employees in these SMEs.

4.2 Sampling design and procedure

The population of study comprised **SMEs** from Northern Uganda. Respondents (SMEs owners and employees) were randomly selected from these SMEs in this geographical scope so as to give divergent views on the construct under study and its predictors. The researcher picked two respondents per SME. Stratified random sampling was utilised to select 281 respondents that responded from 141 SMEs and validated using database provided by the Uganda Bureau of Statistics. To collect data, the researcher handed a close-ended questionnaire to various SMEs owners and employees together with the cover letter explaining the purpose of the research study to the respondents. Also, the e-mail and telephone contacts of respondents were requested for purposes of subsequent follow-up. After 5 days in the field, 281 questionnaires were retrieved representing a response rate of 75.5%. Based on survey length, such a response rate is rated as very good (Brtnikova et al., 2018).

4.3 Measurement of Variables

A self-administered questionnaire was the main instrument to elicit responses. All item scales were adopted from previous research studies, Okafor and Osuagwu (2006), recommend adapting item scales used in previous studies because of their wide item scale reliability and validity. In this study, **Internal auditing** was measured using items developed by Baugher & Weisbord, (2006), Ayres et al., (1992). This questionnaire captured the dimensions of this construct in terms of; internal controls, procedures and practices. **Sustainability** was measured using items developed by Ferro et al., (2019). The measurement items for these two global constructs were anchored on a six-point Likert scale ranging from Since these studies were conducted in other countries, the researchers adopted, modified and localized these items to suit the context of this study. The six-point Likert scale is supported by Chomeya (2007) who argues that it avoids the mid-point of no sure that many respondents tend to tick under a three or five- or seven-point likert scale.

4.4 Instrument Validity and Reliability

In order to test for the validity and reliability of the constructs, Rossiter’s (2002) procedure for scale development was followed. First, the evaluation of reliability of the scale items, content validity, convergent validity and discriminate validity were determined. Validity concerns with the evaluation of the degree to which a measure correctly measures what it is supposed to measure (Chen & Paulraj, 2004). However, for it to be achieved, some conditions were satisfied first (O’Leary-Kelly & Vokurka, 1998). The loadings for all the indicators should exceed the minimum recommended threshold value of .708 to conclude that the selected items reliably estimate the construct (Hair, *et al.,* 2010). Composite reliability measure and Cronbach’s alpha coefficients for all the constructs were assessed and both measures were found above the threshold 0.6 (Bagozzi *et al.,* 2009) and 0.7 (Hair *et al.,* 2010) respectively. This portrays that the indicators adequately measure their associated constructs. As recommended by Fornell and Larcker (1981), three measures were respectively used to examine convergent validity: loading of items (>0.70), composite reliability (>0.60) and average variance extracted (AVE) (> .50) to give the conclusion that convergent validity was met, as shown in Table 1 and Fig. 1, 2 &3.

Table 1: Reliability and Validity Results

Study Variables	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
Sustainability	0.881	0.891	0.659
Internal controls	0.842	0.925	0.764
Procedures	0.863	0.830	0.664
Practices	0.870	0.804	0.743

5. Confirmatory Factor Analysis (CFA)

CFA was conducted to assess model fit. Only those dimensions and respective items that were retained at EFA for each variable were used to carry out a CFA model using Analysis of Moment Structures (AMOS). A confirmatory factor analysis using structural equation modelling (SEM) was used to determine whether the shared variance-covariance of these variables define the latent construct and provided a more precise way to account for the error variances associated with our variables which, if untested, could lead to biased parameter estimates (Schumacker & Lomax, 2010). Several goodness-of-fit indices were also evaluated to assess the model fit. These indices were of two types: absolute and incremental. As an absolute index, the standardized root mean square residual (SRMR) ranges from 0 to 1. Kline (1998) suggests that values less than 0.10 indicate good model fit. Another absolute fit index, the root mean square error of approximation (RMSEA) was used here to assess fit based upon model misspecification and to provide a measure of this discrepancy per degree of freedom. This fit index ranged from 0 to 1 and values less than 0.08 indicated good fit (Browne & Cudeck, 1993). Incremental fit indices were also used (Hu & Bentler, 1998, 1999) to assess model fit. The comparative fit index (CFI) developed by Bentler (1990) is one such index that assesses the fit of the model. The CFI ranges from 0 to 1 and values greater than 0.90 indicate good fit (Kline, 1998). In our study we considered indices with values greater than 0.95 (Kline, 1998). The fit indices indicate that the measurement models of internal auditing and SMEs sustainability present acceptable fit with the data as indicated in the respective figures below with their fit indices.

Fig. 1: Confirmatory Factor Analysis for Internal Auditing

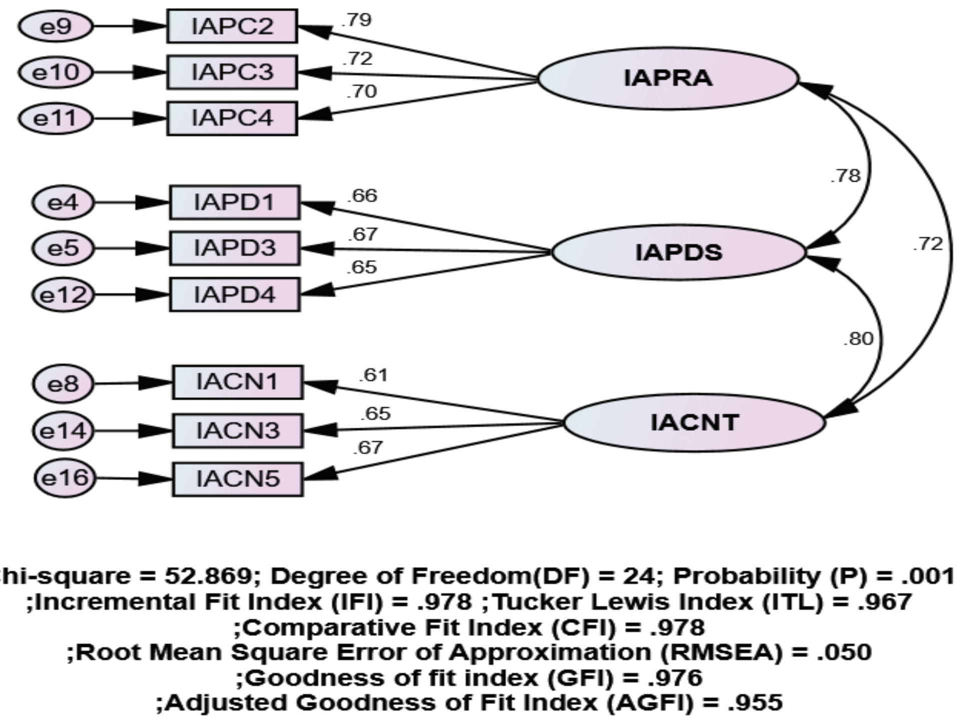


Fig.2: Confirmatory Factor Analysis for Sustainability

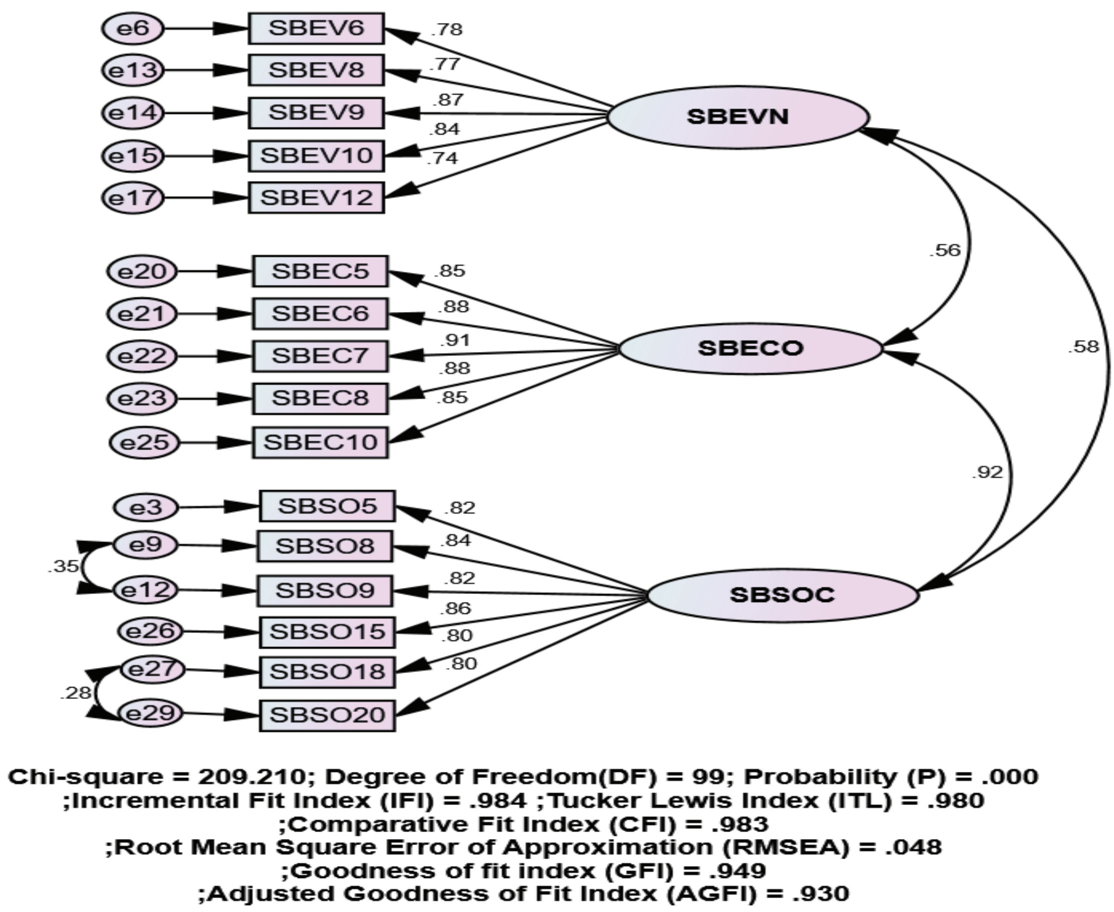
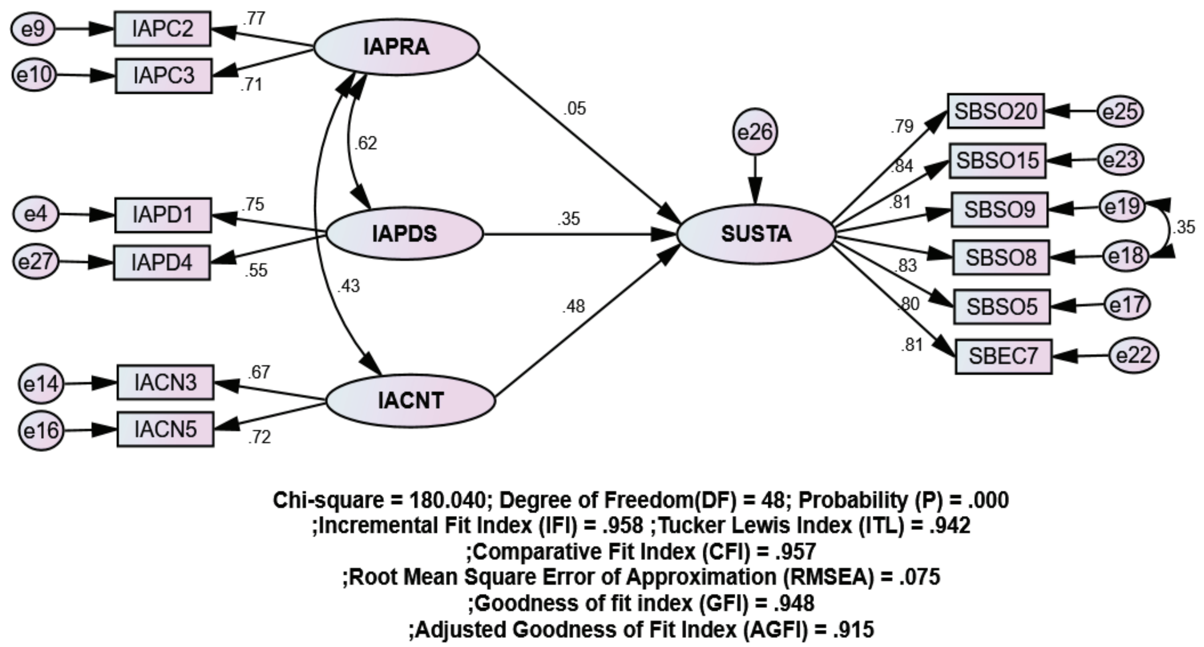


Fig.3: Structural model estimates for predictors of SMEs sustainability



6. Findings

6.1 Individual characteristics

The results reveal that out of the 281 respondents, most of them were male (54.4%), while female accounted for 45.6% of the respondents. The results revealed that the majority of respondents were born between 1981 and 2000 (52.9%) and had worked with in with the SMEs setting for 5-10 years (33.5%). The highest level of education amongst the respondents was a tertiary diploma, at 38.8%.

6.2 SMEs traits

Most SMEs had been in existence for the period 11-20 years with 39.5%. This was followed by those SMEs that had been in operation for 21-30 with 26.7% years. It is clear from the results that the selected SMEs were suitable for understanding sustainability issues since majority of them had been in operation for more than 10 years and above. This period was considered long enough for the SMEs to have tested survival challenges and developed sustainability initiatives. Additionally, this contradicts the popular assumption that a number of SMEs do not celebrate their 5th birth days. Most of the SMEs examined were involved in hardware businesses (22.0%). Restaurants SMEs (20.4%) followed by General merchandise business 18.5% and welding hold the fourth position. Hardware business does not have many barriers and hence this explains their big dominance in the above table. The hardware business is doing well largely because of the prevailing stability and security that is giving people to go into building and construction projects. People earn and can afford to purchase hard ware equipments. Similarly, the general merchandised does not need a lot of education to run it and the capital requirements are not so high. The least of the category (8.4%) were dealing in other SMEs. These cannot exclusively be analyzed because they fall into various industries which need further and special analysis. These include health facilities, Telecom companies, Banks and Insurance plus others that were not specifically indicated in the study instrument.

6.3 Empirical results

Table 2 Hypotheses Testing

			Unstandardised Coefficient	S.E.	C.R.	Standardised Coefficient	p	Verdict
SUSTA	◀━	IAPRA	.087	.208	2.416	.048	***	Confirmed
SUSTA	◀━	IAPDS	.527	.169	3.116	.351	.002	Approved
SUSTA	◀━	IACNT	.826	.149	5.543	.484	***	Supported
*** *p* < .01								
IAPRA: ***Practices***								
IAPDS: ***Procedures***								
IACNT: ***Controls***								
SUSTA: ***Sustainability***								

The research results above show a significant positive relationship between controls and sustainability (β=.149, t-value=5.543, p<.05). Furthermore, results approve the hypothesis that there is a significant relationship between procedures and sustainability (β=.169, t-value=3.116, p<.05). The results also confirm the relationship between practices and sustainability of small and medium enterprises (SMEs) in Uganda (β=.208, t-value=2.416, p<.05). These findings are discussed based on logic, practice, empiricism and theoretical perspectives as illustrated below;

7. Discussion

7.1 There is a positive relationship between internal auditing and sustainability of small and medium enterprises

The results from the empirical analysis have been considerably satisfactory, since hypothesis one formulated found considerable support. From the research results, hypothesis one (H_1) revealed a significant positive relationship between internal auditing and SMEs sustainability, lending support to hypothesis 1. These findings mean that improving internal auditing in form of following set standards, complying with professional procedures, having books of accounts and writing audit reports is likely to improve SMEs sustainability in terms of enhancing profits while minimizing losses by offering competitive advantage through addressing customers' compliances and promoting trustworthy as a result of using audits in the SMEs' setting. To achieve the aim of this study, the researchers discuss the research findings based on three view points below;

- Controls
- Procedures
- Practices

$H_{1(a):}$ Started that there is a significant positive relationship between controls and SMEs sustainability, which was tested and confirmed. This indicates that controls as a factor of internal auditing promotes SMEs sustainability in terms of small enterprises aiming at competitive advantage, providing quality services/products, focusing on minimizing costs while maximizing profits thereby avoiding struggling in this competitive business environment. Internal controls, in general, are procedures used to safeguard assets and implement financial and operational objectives. Creating internal cash controls for small businesses involves setting policies for handling physical cash and checking accounts and delegating responsibilities in keeping it. Cash controls are a crucial component of cash management indicators because cash, being the most liquid of all assets, is highly susceptible to theft and misappropriation.

In the Ugandan context, there is no doubt that SMEs play crucial role in value chain supply for sustainable economic growth with their GDP contribution standing at 18% and their employment and job creation rising to 90%, irrespective of age and gender. However, this sector has grappled with wide ranging challenges, some cash controls others institutional which impede the growth and survival of SMEs in Uganda. Additionally, Small and Medium Enterprises (SMEs) are the engine of growth for the economic development of Uganda and indeed the world at large. They are spread across all sectors with 49% in service sector, 33% in commerce and trade, 10% in manufacturing and 8% in others. They are key drivers in fostering innovation, wealth creation and job creation in Uganda. Over 2.5 million people are employed in this sector, where they account for approximately 90% of the entire Private Sector, generating over 80% of manufactured output that contributes 20% of the gross domestic product (GDP). In line with Vision 2040, the NDPI (2010/11-2014/15) and NDPII (2015/6 -2019/20) both identify and emphasize the role of the private sector in engendering private led economy development. SMEs are the major source of technological innovation and new products. They constitute an important sector in manufacturing, services and agriculture/agro-businesses engaged in local, regional and international businesses. Evidence from UBOS (2020) statistical abstracts pronounce the contribution of SMEs as significant and having potential to change the economy of Uganda for the better. However, there is inadequate cash controls to enable effective realization of the full growth potential of SMEs to economic development.

Government, development partners and private sector have come up with a number of initiatives to promote and develop SMEs sector, but the efforts have been largely scattered, uncoordinated, conflicting and isolated. This brings in the critical theme of cash controls where SMEs' managers are encouraged to send invoices without delay to their respective clients. Those handling customers should not waste time when it comes to sending out invoices to clients that buy your products/ services, offer different transaction payment options that are consistent with modern times which encourage flexibility, keeping detailed records to truck transactions and even be a basis to benchmark. It is imperative to schedule payments effectively while aiming at cost cutting. SMEs ought to have cash flow at all times. All these critical incidents promote the survival of small businesses which are consistent with the theme of Government National Development Plan II which is consistent with strengthening Uganda's competitiveness for sustainable wealth creation, inclusive growth and employment.

Cash flow controls reduces on un-necessary payments, theft and fraud (Wright, 2019). With cash controls measures in place, expenditure on un-necessary items are reduced and any attempts to divert resources by employees of the business are easily detected. This eliminates the wastage of resources which money is re-invested in productive ventures aimed at generating more revenue / profits for the business. Cash controls minimize financing and borrowing costs (Miller,2019). With cash controls measures in place, business owners avoid spending on things without making thorough analysis / investigations on where spending on that item is worth. Borrowing costs will also be minimized because the business will have cash to meet its operational costs and investment in other productive ventures will also be met (Mohamed, 2020). In the long-run, the business will start enjoying the economies of scale due to various expansions made.

This foregoing view point is consistent with Uwonda, Okello and Okello (2013) who argues that cash flow management is the nucleus of a business entity for short and long-term survival. For Munusamy (2010) was concerned with both the short term and long- term financial objectives while Evans (2012) the power of the cash flow statement on influencing SMEs survival. Relatedly, Aminu, (2012) cash flow management brings together actions concerned with cash payment, collection management and liquidity management, which involves acquisition and disposal of treasury assets and their subsequent monitoring, a strategy for investing surpluses of cash for maximum profitability and financing deficits at minimum costs.

The study makes a link with the works Percat, (2012) who asserts that around 90% of SMEs failures in Saudi Arabia are due to inadequate management cash flow. Relatedly, Muller (2018) noted that in order for SMEs to manage their cash flow, they must understand cash flow and be able to project how and when cash would be received and spent, take steps to optimize revenue and expenditure timing and amounts. Similarly, Yaqub and Husain (2020); Surridge and Gillespie (2008) argue that for SMEs to grow, they must address failure factors by identifying potential cash problems and deciding on how to control them to improve the business cash position so as to enhance business survival.

7.2 Procedures and SMEs sustainability

The study further reveals that procedures as a factor of internal auditing influences SMEs sustainability positively in Uganda. The researcher notes that by creating a cash flow forecast, monitoring and managing accounts receivable and payable, controlling inventory levels, and implementing cash flow best practices, small and medium businesses can optimize their cash flow and ensure long-term survival in the Ugandan business setting. A procedure is a detailed instruction that explains all the tasks that need to be completed in a workplace. These tasks may be stand alone or may be a part of a process. For example: instructions for how to pack and send a customer sales order within the sales and shipping process manual. It is important to note that a number of SMEs conduct criminal background checks before hiring, have zero tolerance against drugs, alcohol, bullying and cyberbullying. Small businesses use daily attendance books which registers all workers present on that day and visitors' books are used at the entrance/receptionist of different SMEs. SMEs do routine monitoring and evaluation through managers/administrators who are accountable to the output of the each and every worker regularly. The procedures require every manager to hire the best employees to work within the business who include; people who are skilled in their operations, competent salesmen that ought to understand the dynamic business setting.

The results of this study are related to the works of Yadav (2018) argues that formal SMEs contribute up to 60% of total employment and up to 40% of GDP in emerging economies (World Bank, 2018). Globalization council (2017) study reveals that SMEs have more flexibility than MNCs to easily adapt and change to meet important environmental & social targets. Thus, with the right strategy, is to use procedures can offer both economic prosperity and environmental protection. When applied to the corporate world, sustainable development implies the adoption of stratagems and actions that fulfil both the business needs and the current and future societal expectations (Ayuso & Navarrete-Báez, 2017). The corporate sustainability is a multi-faceted perception having three dimensions: environmental, social, and economic. The economic dimension of sustainability implies that a company having appropriate cash-flow particularly procedures that must guarantee liquidity along with a substantial return to stockholders, whereas environmental dimension necessitates the company to have a positive environmental impact by preserving the stability of the environmental system and protecting natural resources. Social dimension encompasses contribution to the community to have a positive social influence through ways of incrementing value to the human capital. SMEs should implement an all-inclusive purview of sustainability in approaches, as an accomplishment in a single of these dimensions will not help in long term sustainability (Günerergin et al., 2012).

7.3 Practices and SMEs sustainability

In the Ugandan setting, the definition of micro, small and medium enterprises include all types of enterprises irrespective of their legal form (such as family enterprises, sole proprietorships or cooperatives) or whether they are formal or informal enterprises to ensure inclusiveness. Uganda Bureau of Statistics has adopted categorisation of enterprises basing the fulfilment of the minimum requirements of any two of the criteria of; number of employees, capital investment and annual sales turnover. In quantitative terms, micro enterprises are those businesses employing not more than 5 and have total assets not exceeding UGX: 10million. On the other hand, small enterprises employ between 5 and 49 and have total assets between UGX: 10 million but not exceeding 100 million. The medium enterprise therefore, employs between 50 and 100 with total assets more than 100 million but not exceeding 360 million.

To attain SMEs sustainability, practices are paramount. By creating a cash flow forecast, monitoring and managing accounts receivable and payable, controlling inventory levels, and implementing cash flow best practices, businesses can optimize their cash flow and ensure long-term financial success. Cash practices helps small businesses plan for the future by providing insights into the company's financial health. With this information, the business owner can make informed decisions about future investments, expansion plans, and other financial decisions. These findings are consistent with previous researchers that emphasized specific aspects of cash management particularly practices in informing sustainability of SMEs. Cooley and Pullen (1999), examined cash management as the process of planning and controlling cash flows. This study consisted of three basic components: cash forecasting practices, cash surplus investment practices and cash control practices which are pillars of SMEs sustainability.

8. Conclusions

The research findings revealed that internal auditing (in terms of controls, procedures and practices) enhances sustainability of SMEs amidst the survival battle of these businesses. SMEs failures can be averted through strengthening controls, procedures and practices amongst owners/directors and employees who run these SMEs. Most SMEs face the challenge of inability to utilize cash management in fostering sustainability. This is evident by different actors including government, managers or owners of SMEs, government agencies and private sectors that are stakeholders failing on the indicators of business sustainability thereby resulting to low levels of long-term survival of SMEs.

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