



**MIDLANDS STATE UNIVERSITY**

**FACULTY OF COMMERCE**

***DISSERTATION (MACC 800)***

**IMPACT OF INTERNAL AUDITING FUNCTION ON GOOD CORPORATE  
GOVERNANCE IN ZIMBABWE'S PUBLIC SECTOR (2012-2016)**

**By**

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Bachelor of Commerce in Accounting Honors Degree at Midlands State University**

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### **DEDICATION**

This research project is dedicated to my loving and caring grandmother Mavis Manata who has been a pillar of strength during good and bad times, my parents Pastor Sam and Chipso Bhasera who have been always offering spiritual and moral support.

## **ABSTRACT**

This paper examines the impact of internal audit function on good corporate governance in the public sector in Zimbabwe with particular attention on the State Owned Enterprises (SOEs). The focus was on the effect of internal audit on the risk management, internal control, reporting and compliance to corporate governance. A survey of 140 respondents in the SOEs sector was carried out using the quantitative research design anchored on the post positivism research philosophy using questionnaires. Data was collected and collated using the Likert scale. This study found out that internal auditing helps to ensure improved risk management processes, improves internal control system and also improves corporate reporting. Internal auditing as a pillar on the corporate governance process was also found to have a positive relationship with corporate governance compliance in the SOEs sector in Zimbabwe. Implications of this study are that there is need for SOEs to improve the internal audit function through continuous development of the staff and adequately staffing the unit in order to ensure improved risk management functionalities, internal controls and corporate reporting.

**Keywords: Corporate Governance, Internal Audit function, Financial Performance**

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## **Chapter 1**

### **1.0 Introduction**

The public sector in Zimbabwe has been underperforming and treasury had to bailout a number of them, such as the Grain Marketing Board, National Railways of Zimbabwe, Air Zimbabwe to mention but a few. As a result the government of Zimbabwe had embarked on some reforms to which the whole sector will be clustered according to the nature of the service offered. The clustering were targeted a privatizing, merging and disbandment of the SOEs. The publication of these SOEs financial statements were lagging behind, with the Auditor General indicating the 2016 report that close to 60% of these SOEs had last presented their financial statements in 2012 for auditing. As a result the SOEs were violating both the Public Finance Management Act (Chapter 22:19).

### **1.1 Background to study**

One of the mostly talked about issues in the country recently has been the level of corruption in all spheres. In his inauguration speech and other subsequent speeches, the President of the Republic of Zimbabwe his Excellency E. D Munangagwa, has vowed to fight corruption (Nyakazeya, 2018).

According to the Institute of Internal Auditors (IIA), internal auditing is the independent, objective assurance and consulting activity aimed at adding value to the organisation. Tabara and Ungureamu (2012) further noted that for governance to be regarded as inclusive and effective there is need for internal audit functionality. Al-Jabali et al (2011) averred that this assurance is based on the enterprise –wide risk management framework. In the Zimbabwean public sector, the Government has made it mandatory for all the institutions to have internal audit functions that aids the role of the external auditors in carrying out their work (MOFED, 2015). Furthermore the Minister of Finance in the Presentation of the 2016 National Budget statement advised that the public sector institution should have establish internal audit committees as a means of enhancing the role of the internal audit function in the public sector.

The establishment of the internal audit committees and functions in Zimbabwe are also anchored on the Zimbabwe Corporate Governance Codec (ZIMCODE, 2015), which denotes the need for these important pillars in corporate governance enhancement in the economy. Chang et al (2013) opined that the audit committees plays and oversight role in t the work of both the internal audit function and the external audit. Furthermore, (Utami, 2016 and Oghogho et al, 2013) averred that the audit committees aid in audit quality as a quality control process within the firms. Karagiorgos et al (2011) further noted that the audit committees enables the adherence to the corporate governance practices within organisations and as such plays an important role in ensuring compliance. Resultantly, the parliament of Zimbabwe is ceased with the deliberation on the corporate governance bill, which transforms the ZIMCODE into a prescriptive document than the current persuasive code of corporate governance. The development of the ZIMCODE follows calls by the industry for Zimbabwe to adopt its own Code of corporate governance in the mould of the King 1-IV of the South African Country. The South African Government first adopted its King I report in 1994 which played a critical role in the Zimbabwean context of the ZIMCODE and as such was a result of the lessons leant form the South African code. The codes are meant to control professional behavior amongst the industry and public sector, but however corruption and other shenanigans continue to abound in the economy.

Olajide (2014) in a study of corruption and forensic auditing in Nigeria, noted that many business and organisations have folded as a result of corruption. Furthermore Chakrabarti (2014) alluded that the failure by management to act decisively on the corrupt activities has also accelerated the demise of a number of firms in India. This trend in corrupt activities could be likened to the Zimbabwean scenario, where economically state enterprises and parastatals have be caught in the web. Between 2008 to 2012, a number of firms including both the private sector and the public sector have been caught in scandals that have led to the demise or near demise of the organisations such as ZBC, PSMAS, NRZ, GMB to mention but a few( Maune ,2015). In the ZBC saga close to \$900,000 was lost as an inflated Mobile Broadcasting Van costing only \$100,000 was purportedly bought at a million dollars (Njanike, 2012) The CEO was alleged to have been getting a salary of close to \$40,000 monthly while the other employees were going for month without salaries. The CEO of PSMAS Mr. Cuthbert Dube had a take home salary of \$230,000 each month while also the employees were wallowing in abject poverty (Sifile et al 2014). Ironically the PSMAS CEO

was also the Chairperson of ZBC, meaning the rot could be as a result of association rather than professionalism.

Having looked at these cases and linking them with the ENRON, WorldCom and Tyco cases in the early 2000's, the users of the financial statements wonder where the auditors stand as all these scandals and corrupt activities evolve. According to Al-Matari (2014), questioned the effectiveness of the internal audit function as the first point in the detection and unearthing of fraudulent and corruption in organisations. Evident to the role that the internal audit plays. Ridley (2014) further noted that the users of the financial statements and the auditors has thus created the expectation gap. According to Gunathilaka (2012) the expectation gap is the differing opinion created by the views from the society and the Audit on what are the responsibility and the reliability of the financial statements. The expectation gap arises as a result of the lack of confidence by the society over the value created by the audited financial statements given the aftermath of liquidation, financial scandals unearthed way after the audit has certified financial statements (Kamau, 2013 and Chukwunedu and Okoye, 2011). Saladrigues and Grano (2014), opined that as long as there are aftermath audit collapse of firms, there will always be a low rating of the audit profession by the users of the financial statements and the public in general.

Okpala (2015) noted that the theory of lending credibility, resonates at the ability of the financial statements to enhance the shareholders faith in the stewardship of the management. By definition, the theory of lending credibility is the creation in the mind of the users the ability to establish credibility within the mind of the Users. (Ittonenni, 2010) It states that the audited financial statements enhances the faith of users in the stewardship of the funds. Reliability is a key aspect of the financial statements and as such there is need for the audit committees to enhance this special aspect for the purposes of assuring users. According to Maune (2015), users of the financial statements rely on the audited financial statements in making decision and as such there is need to ensure credibility in the eyes of the users.

The Limperg's theory of inspired confidence of auditing states that the reports that are produced by management in public sector are used by a number of stakeholders. These stakeholders require a number of issues that are specific to them and as such the audited financial statements help to inspire them to continue associating with the institutions and also ensures that there is transparency and accountability in the funds entrusted to management. Khalif et al (2015), argued that financial

statements that are audited inspires confidence in the users that the assertions made by the management have been followed religiously in the preparation and presentation of the financial statements.

## **1.2 Statement of the Problem**

Corruption and other ills, such as falsification of financial statements, bribery and deliberate non-disclosures of certain transactions, continue to be reported within spheres of the economy, be it in the developed countries or in the developing countries like Zimbabwe. As a result a lot of funds have been lost and firms have folded or are left at near demise as a result of these ills. A number of public entities in Zimbabwe had been in the news for corrupt activities including awarding of huge salaries among their leaders, including PSMAS, ZBC, NRZ and GMB to mention but a few. The major question that the users of the financial statement have developed a hypothesis as a result of these scandals. there a positive relationship between internal audit function and the corruption deterrent measures. All the SOEs that have been in the news albeit at a bad note have audit committees which superintends over the recruitment of the external auditors, review the audit reports and recommends controls within these organisations. The hypothesis created therefore is “there a positive relationship between internal audit function and the corruption deterrent measures” Their role adequately such that these corrupt actives goes undetected by the internal systems. Using the theory of lending credibility, this research is meant to establish the impact of internal auditing on Corporate Governance in Zimbabwe’s public in particular the SOEs sector.

## **1.3 Main Topic**

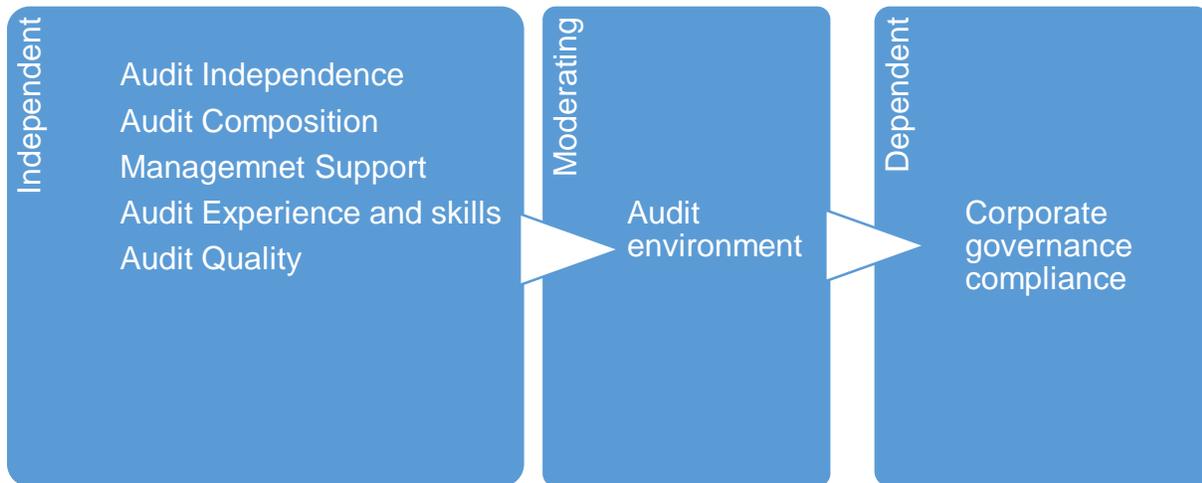
Impact of Internal Auditing on Good Corporate Governance in Zimbabwe’s Public Sector (2011-2017)

## **1.4 Conceptual framework**

Okpala (2015) noted that the theory of lending credibility, resonates at the ability of the financial statements to enhance the shareholders faith in the stewardship of the management. By definition, the theory of lending credibility is the creation in the mind of the users the ability to establish credibility within the mind of the Users. (Ittonenni, 2010) It state that the audited financial statements enhances the faith of users in the stewardship of the funds. In this regard the internal

audit function is the first step into the systems and processes reliability analysis. Reliability is a key aspect of the financial statements and as such there is need for the audit function to enhance this special aspect for the purposes of assuring users. According to Maune (2015), users of the financial statements rely on the audited financial statements in making decision and as such there is need to ensure credibility in the eyes of the users. That credibility resonant around the ability of the internal audit function in helping the external audit function which is an outside organisation. According to the Institute of internal Auditors (2012), the internal audit function aids the external audit and as such it's the first point of identification of the system multifunctionality and proposal of more deterrent processes and systems, The more credible they becomes, the better the rating the users place in the management ability to manage the funds under their purview [Ittonenni, 2010 and Okpala, 2015]

### 1.0 Conceptual framework and its variables



In creating this credibility, there is need to ensure that there is independence of the audit function from the influence of the main board, the owners and other external membership. These are powerful institutions that can have a greater bearing on the ability of the IA to performing its duties.

Furthermore there is need to understand the effects of the board composition and board size on the ability to detect and fight corruption in the public sector. The board should be composed of

appropriate divestiture in order to ensure the effectiveness of the internal audit function through the audit committee.

Besides having an appropriate composition, size and independence, there is also need to get to understand the effects of the experience and skills on the ability to reign on corruption in whatever environment these are performed.

### **1.6 Main research Question**

Is there a positive relationship between internal audit function and corporate governance compliance in Zimbabwe SOEs?

### **1.7 Sub research questions**

The sub-research questions of the study are outlined below:-

- To what extent does the Internal Audit independence affects the corporate governance compliance in the public sector?
- What are the effects of the Internal Audit composition on governance compliance in the public sector?
- How does the internal audit quality affect the corporate governance compliance?
- How does the internal audit skills affect corporate governance compliance in the public sector?
- To what extent does the audit environment affect the independent variables corporate governance compliance?

### **1.8 Research objectives**

- To determine the extent to which the Internal Audit independence affects the corporate governance compliance in the Zimbabwe SOEs sector
- To evaluate the effects of the Internal Audit function on corporate governance compliance in SOEs sector,
- To establish the effects of internal audit performance on corporate governance compliance in SOEs sector.

- To evaluate the extent to which internal audit skills affect corporate governance compliance in the public sector
- To determine the extent to which the audit environment affect the internal audit functions' roles in corporate governance practice.

### **1.9 Research hypothesis**

- H1: Internal Audit function independence has a positive effect on corporate governance practice.
- H2: The Internal function composition has a positive effect on the corporate governance practice
- H3: Internal audit performance has a positive effect on the corporate governance practice.
- H4: Internal audit members' experience has a positive effect on corporate governance practice.

### **1.10 Assumptions**

There are two assumptions that the researcher will make for this study, namely, firstly, that the information for panel data analysis could be obtained in sufficiency to warrant the analysis. Secondly, that no major policy interventions will be undertaken by the government in the SOEs governance in Zimbabwe, which might change the thrust of this study.

### **1.11 Significance of the Study**

The study will bring a new thought process in the roles and the compromises that the internal audit plays in unearthing fraud and other scandals within the organisations. There is need to establish whether the role of the board and in particular the audit committee has in the fraud and other financial scandals could be delivered in an environment of corruption and shenanigans. This is a new dimension which has not been explored in the SOEs sector in Zimbabwe, where a number of scandals have been reported and in some instances little or no action being taken on the perpetrators of the scandals. The role and the compromise of the internal audit function in the SOEs sector has never been explored with many researchers targeting the corporate governance adherence than the internal audit function.

### **1.12 Delimitation of the Study**

The study will be delimited, firstly on the scope, in which only the impact of internal audit committees in corporate governance compliance and secondly, the SOEs to be considered are headquartered in Harare where it is easier for the research to obtain information. Lastly the study period will be from 2012 to 2016 for which information for panel data will be easily obtained from the purpose of the regression analysis.

The study will also be delimited using the scope of the study that is the internal audit function and corporate governance.

### **1.13 Limitations of the Study**

The only possible limitation of the study will be secrecy of information. Respondents bound by the Official Secrecy Act and Declaration of Secrecy or Confidentiality clauses and was therefore difficult to obtain. Guarantee was provided that the findings would be used for academic purposes only.

### **1.14 List of Acronyms**

AC	Audit Committee
AG	Auditor General
CGC	Corporate Governance Codes
CIAE	Chief Internal Audit Executive.
ED	Executive Directors
GDP	Gross Domestic Product
IAF	Internal Audit Function
MOFED	Ministry of Finance and Economic Development

NED	Non-Executive Directors
OECD	Organisation for Europe Corporate Governance Development
PFMA	Public Finance Management Act [Chapter 22:19]
PFMS	Public Finance Management System

## **1.15 Chapter Summary**

The background to the study has been given, from which the research problem was identified. Furthermore, the research questions, the objectives, the assumptions and the, limitations were also derived. The delimitation aspects of the study, the significance and the acronymies were also provided together with the chapter summary.

## CHAPTER 2

### LITERATURE REVIEW

#### 2.0 Introduction

The chapter reviewed all the literature relating to the subject matter and is subdivided into the theoretical review and the empirical review.

#### 2.1 Theoretical Review

Okpala (2015) noted that the theory of lending credibility, resonates at the ability of the financial statements to enhance the shareholders faith in the stewardship of the management. By definition, the theory of lending credibility is the creation in the mind of the users the ability to establish credibility within the mind of the Users. (Ittonenni, 2010) It state that the audited financial statements enhances the faith of users in the stewardship of the funds. Reliability is a key aspect of the financial statements and as such there is need for the audit committees to enhance this special aspect for the purposes of assuring users. According to Maune (2015), users of the financial statements rely on the audited financial statements in making decision and as such there is need to ensure credibility in the eyes of the users. The more credible they becomes, the better the rating the users place in the management ability to manage the funds under their purview [Ittonenni, 2010 and Okpala, 2015]

The internal audit function also helps in the determination of the risks framework for the organisation and as a result improves the delivery in terms of corporate governance in the systems (Utami, 2013 and Hallström, 2017). In another study carried out by Li Ng (2013) based on the role of the audit in corporate governance practices in Australia, argued also that where the IAF performs with efficiency and effectiveness in the delivery of internal control mechanisms and advisory role, then the corporate governance structures are viewed to be working in the desired way and practices by those charged with governance in the organisations.

#### 2.2 Auditing and corporate governance

In a study on internal control mechanisms as precursors for good corporate governance by Njanike et al (2011), the study concluded that for effective corporate governance principles to be adhered

to by the board and management, there is need to ensure that there are targets set and subsequent evaluations on these be carried out. Therefore the relationship between corporate governance and internal audit function can be analysed from literature under a number of headings, namely, independence, management support, composition, skills and competences and audit quality (Cohen and Sayag, 2010)

### **2.2.1 Internal Auditing**

According to the IIA's Standard, internal auditing as "*an independent, objective assurance and consulting activity designed to add value and improve an organisations' operations*" Because of the consulting services and value addition create for the organisation, the internal audit function has been regarded as one of the key pillars of the corporate governance foundations. Zaharia et al (2013), averred that internal audit function should prescribe the measures that should be taken for outlining the corporate governance framework and at the same time reducing the excessive risk of putting trust in the board of directors only. This means that the role of internal audit function will therefore lead to a balance between corporate governance principles and risk management framework within the organisations.

The definition above on internal auditing prescribes three very important aspects namely, governance, risk management and control. Governance relating to how the organisation is managed and controlled (Rahmatika, 2014). Control on the other hand entails systems that deter occurrences of fraud and error within the operational system (Monday et al, 2014). Finally Monday and Aladeraji (2015) defined the risk management as comprising the activities and action =s taken by management in ensuring that the organisation is risk conscious. These three pillars are essential and work hand in glove amongst them within the enterprise and therefore systems and processes must be put in place to ensure they operate in the best interest of the organisation and its promoters(Monday and Aladeraji ,2015)

In a study on the corporate governance structures in the Romanian state, Dima and Ducu (2013), argued that the internal audit function plays an important role in that it ensures that organisation to adapt to the respective operating environments Furthermore, Laker (2011), defined internal audit as the fundamental "checks and balances", for enhancing sound corporate governance within organisations. Laker (2011), further averred that internal auditing function has to be well

resourced, organised and empowered so that it can provide impartial and competent advice to those charged with governance.

According to Al-Matari et al (2014) credibility and transparency of the financial information provide by management is therefore strengthened by the internal audit role. The internal audit role is a mechanism of monitoring on behalf of the stakeholders on the work of the management team. The work by Al-Matari et al (2014), was in conformity with earlier study by Oghogho et al (2013) whose conclusion was that the internal audit function, working in liaison with the Audit Committee plays an important role in the proper conduct of the organisational affairs anchored by corporate governance principles. Adedokun (2016) in concurrence with Laker (2011), Al-Matari et al (2014) and Oghogho (2013), argued that the role of the internal audit function in corporate governance works well and better when the organisations provides well resource the function. The Authors concluded that there is need to use legislation in order to ensure that the role of internal audit function gets the funding just like any other votes within the budget.

Joksimović and Ahmed (2017) argued that internal governance should enhance the corporate governance structures within organisations as they address four key aspects of the business , namely corporate policies, management improvement, accountability and information transparency. To add to that earlier researches by Radu (2012) in a study of the Bucharest Stock Exchange averred that most of the firms on the bourse could not meet the corporate governance code of the country as a result of the lack of a robust and effective internal audit mechanism to foster the code. Radu further noted that the internal audit function should help management in fulfilling corporate governance responsibilities.

Zaharia et al (2013), in their study of the Romanian internal audit functions noted that the function's value to the organisations could not be or is impossible to evaluate than to analyse the audit reports and the effectiveness of the recommendations proffered. Sarens and Abdolmohammadi (2011) argued that the size of the internal audit function is dependent on the aspects of corporate governance under consideration within an organisation. Resultantly, the fewer the corporate governance issues under consideration, the smaller the internal audit committee.

Suyono and Hariyanto (2012) carried out a study aimed at the relationship between internal control, internal audit function and corporate governance. The researchers' conclusions were that there is a positive correlation between internal audit function and corporate governance, In the

same vein the relationship between internal control and corporate governance was viewed to be less significantly positively related.

Johl (2013) in their study of the Malaysia found out that the internal audit function plays a very vital role in the corporate governance structures compliance and in the process improves financial reporting framework. This was also supported by Gross et al (2016) in their study in German concluded that internal audit function drives corporate governance compliance by identifying control lacks, corporate governance failures and financial reporting transparency and accountability within the firms. Furthermore Abbott et al (2016) argued that the internal audit function plays an important role in the financial reporting attributes and in the process helps shape the corporate governance structures.

According to the Institute of Internal Auditors (IIA), internal auditing is the independent, objective assurance and consulting activity aimed at adding value to the organisation. Tabara and Ungureamu (2012) further noted that for governance to be regarded as inclusive and effective there is need for internal audit functionality. Al-Jabali et al (2011) averred that this assurance is based on the enterprise –wide risk management framework. In the Zimbabwean public sector, the Government has made it mandatory for all the institutions to have internal audit functions that aids the role of the external auditors in carrying out their work (MOFED, 2015). Furthermore the Minister of Finance in the Presentation of the 2016 National Budget statement advised that the public sector institution should have establish internal audit committees as a means of enhancing the role of the internal audit function in the public sector.

The internal audit function according to Utami (2016) has a positive relationship to the successful operation of the corporate governance structures in any organisation. In a case study research on the internal auditing practices in Indonesia, Utami (2016), noted that the emergence of the corporate governance framework necessitated the need for dedicated internal audit functions within the organisations. Supporting this conclusion, Trotman (2013) opines that the IAF is a key component of the corporate governance structures within the organisations. Furthermore Mohamed and Mohammed (2011), alluded that that as the changing roles of the IAF evolve, there is also need to adjust the corporate governance structures to meet the requirements of the new developments the environment. Finally, Abdullah (2014) argued that the role of the IAF should

evolve around the creation of the value addition mechanism to the operational abilities of the organisation.

### **2.2.2 Corporate governance**

According to Okene (2010), corporate governance is a word that has been used over forty years and is derived from the Latin word “**gubarne**” and **gubernator**” meaning “**to steer a sheep**”. So that’s in modern days the management and control of the organisation. In another definition, Khan (2011) noted that corporate governance includes the process, mechanisms and structures in which the business and its affairs are directed and controlled. According to Khan (2011), these includes the customs, procedures, laws and policies that are put in place in the day to day management and direction of the company by both the employees and, management and owners. Dandira (2010) argued that there is no investor who would want his/her investments to be handled by unqualified directors and as a result, they have all taken a proactive role in the governance issues of the firms as investments protection mechanisms. Furthermore Sifile et al (2014) noted that the current leadership of the Institute of Directors in Zimbabwe (IoDZ), have taken active role in the promotion of governance issues by first drafting and adopting the Zimbabwe Code of Corporate Governance known as the ZimCode. Furthermore as a means of incorporating the public sector including the Local Authorities, and State Enterprises and Parastatals, the IoDZ have been promoters of the corporate governance Bill which is under consideration by the Parliament currently.

Micheleberger (2016), further averred that corporate governance represents the optimisation of the company’s management systems and process in order to address the management and ownership levels thereof. Mudashiru et al (2014), noted that the management and directors without proper induction in corporate governance principles are prone to falsification of financial results and business malpractices as a result. Adedokun et al (2016) further alluded that good corporate governance enables organisations to pursue their goals effectively and timely. Meaning that the anchoring of corporate strategy on any other system without corporate governance principles and structure in devoid of logic. Ogundiya (2010), argued that although many people differs on the best way to achieving corporate governance in the organisations’, they converge on the need to have good corporate governance as the precursor to improving management and control.

The establishment of the internal audit committees and functions in Zimbabwe are also anchored on the Zimbabwe Corporate Governance Codec (ZIMCODE, 2015), which denotes the need for these important pillars in corporate governance enhancement in the economy. Resultantly, the parliament of Zimbabwe is ceased with the deliberation on the corporate governance bill, which transforms the ZIMCODE into a prescriptive document than the current persuasive code of corporate governance. The development of the ZIMCODE follows calls by the industry for Zimbabwe to adopt its own Code of corporate governance in the mould of the King 1-IV of the South African Country. The South African Government first adopted its King I report in 1994 as compared to Zimbabwe, but followed in the steps of the Cadbury & Greenbury report in the United Kingdom and the Cromme report of Germany which came into effect in around 1995. The Kings report from I to IV have all been well received because they were based on a comply or explain basis different from the Sabney Oxley which was prescriptive in nature. The codes are meant to control professional behavior amongst the industry and public sector, but however corruption and other shenanigans continue to abound in the economy.

Dima and Ducu (2013), noted that corporate governance has emerged as the cornerstone of how the organisations are controlled and managed. Mudashiru et al (2014), in their study of corporate governance structures in Nigeria, argued that for organisations to exhibit the highest degree of accountability, transparency and competitiveness , there is need to ensure that the way it is managed and controlled based on with good corporate governance structures. OECD (2014) states that the institutional stakeholders' activism has an impact in the promotion of good corporate governance within the organisations across sectors and nations.

Oghogho et al (2013) in their study of the internal auditing on firm performances in Nigeria concluded that the effective internal control mechanisms leads to improve corporate governance compliance and avoids corporate failures. This reveals the role that the internal audit function plays in the enhancement of the corporate governance principles within organisations in all spheres of the economy Al-Matari et al (2014).

Hundal (2013), argued that a system of corporate governance enhances accountability and transparency in the management, control and ownership of the business at large. In its quest to enhance reporting credibility and accountability, Hundal (2013) further notes that a system of good corporate governance requires a well-coordinated process comprising of the Boards , internal audit

function and the external audit. Khan (2011) posited that the separation of control and ownership as corporate governance entails, has however created problems in that the interests of the shareholders and that of the managers are at conflict. This Khan (2011), denotes as the agency problem.

## **2.3 Empirical review on internal auditing and corporate governance**

The section provides the empirical evidence provided by other authors in the various countries and environments in which internal audit function and corporate governance linkages were studied. This will provide the relationships and conclusions as per the study and its complementing researches afterwards. Hundal (2013) noted that audit independence, expertise and management support have a bearing on the quality of the financial reporting, hence on the compliance to corporate governance within an organisation.

### **2.3.1 Internal Audit Independence and corporate governance.**

Stewart and Subramaniam (2010) in their study of the role of the internal auditors in the advent of dual reporting structure in the United Kingdom noted that the idea to outsource internal audit function comes in as a manner of ensuring audit independence in the organisation. The conclusions drawn by the researchers here were that, independence of the internal audit functions improves corporate governance structures. Furthermore the ability to audit the corporate governance structures are enhanced when the internal auditor is independent. Groff et al (2016) in the study of the contemporary role of internal audit in corporate governance, proffered that the need to hire, remunerate and dismiss the Chief Internal Audit Executive should be the prerogative of the supervisory board rather than the executive board in that the former is not involved in the day to day activities of the business and as such are more likely to view the audit executive with objectivity of mind.

Tabara and Ungureamu (2012) in their study of the role of internal auditors in corporate governance systems in Romania, argued that the independence of the internal auditors in their execution of their normal duties improves the corporate governance delivery systems in which they audit. The conclusions by Tabara and Ungureamu (2012), was that there is need for a complete independence of the internal audit function within organisations if the corporate governance structures are to be compliant to principles. Reding et al (2013) in the study of complimented the

conclusions by Tabara and Ungureamu (2014), by arguing that the most important aspect of internal audit function is its independence.

Tepalagul and Lin (2014) in their study of the auditor independence and quality discovered that the role of the internal auditor in establish financial reporting quality is closely linked to the independence that the auditor enjoys in the audit environment. Furthermore the authors noted that the structure of reporting does actually have a bearing on the independence that the internal auditor enjoys. Supporting Tepalagul and Lin (2014), Quansah (2015) in her study of the internal audit function and the corporate governance systems at Post Company limited in the Ashanti Region of Ghana, noted that the reporting structure of the internal audit function creates the much needed independence in governance by ensuring the internal audit function reports directly to the Chairperson of the Audit Committee. The researcher also alluded that in the absence of the Audit Committee within an organisation, it is imperative to encourage direct reporting to the Chairperson of the Main Board. This according to Quansah (2015), greatly improves the freedom and independence of the Internal Audit Committee.

Florea and Florea (2013) in their study of board of directors and the role in enhancing effective controls, opined that regardless of the reporting structures that might exists in organisations, the independence of the internal audit function should be enhanced so as to create effectiveness of the corporate governance structures within the organisations. The authors were of the opinion that the more independent the audit function is within the firm, the better or more logical it is to enhance governance. Pitt (2014,p.13), said( the role of the internal auditors strive to meet the stakeholders expectation by adding performance measures that enhances their opinion by making use of the limited resources to meet their objective”

Groff et al (2016), averred that the shift from a confined internal audit function to a more independent function within the enterprises was a result of wanting to address the corporate governance failures of the early 2000 in the American context. In that context independence is regarded as an anti-proscription for entailing compliance to corporate governance principles by member of the firm form the board level downward.

### **2.3.2 The Internal Audit composition and corporate governance compliance**

Dragalos et al (2016), in a study of the relationship between corporate governance, internal audit function and the Audit committees in Greece, noted that the composition of the audit team in terms of both the skills, gender and ethnicity has a bearing on the achievement of the corporate governance principles. Dragalos et al (2016), found out that there is a positive relationship between corporate governance and the consulting role of the internal audit function with the Greek firms. The King IV report of Corporate Governance of south Africa of 2017, proposes that in any relationship, the composition of the teams be it in external audit of internal audit function has to be multi-diversified in order to address all the facets of the issue that might be met in the audit of the financial and non-financial aspects of the organisation.

Al-Matari (2014), questioned the effectiveness of the internal audit function as the first point in the detection and unearthing of fraudulent and corruption in organisations. The author noted that without an appropriate composition it is not possible to cover the depth and width of the engagement scope and as a result that sampling techniques fails to detect fraud and errors.

Balm-Aldred et al (2013) posited that in many cases the corporate governance report does not disclose the internal audit composition in as much as gender, expertise, age and ethnicity is concerned. This makes it impossible for the external stakeholders to evaluate the tasks carried out by the chief Audit executive within the organisation.

The OECD (2010) directs that all the boards of the organisations should develop a policy regarding the composition of the Audit committees and the internal audit teams. Furthermore Al-Matari (2014) posited that there should be an indication on the minimum prerequisite qualifications and qualities which may enhance the board oversight in governance.

Stewart and Subramaniam (2010) argued that the relationship between the internal audit function composition and the audit committee have a bearing on the overall corporate governance enhancement mechanisms in the organisation. The ability of the audit committee to enforce quality reporting depends on the delivery that could be expected from the composition of the team within the internal audit function.

### **2.3.3 Internal Audit members' experience and skills and corporate governance compliance.**

Groff et al (2016) affirmed that the members of the audit team and their respective skills have a bearing on ensuring corporate governance compliances within enterprises. Furthermore Groff et al (2016) averred in their study of the contemporary role of the internal audit function in corporate governance that the more experienced and skilled the team is selected the better understanding of the corporate governance principles governing the operations of the firms. It is therefore imperative that the internal audit function be experiences and skilled in both financial accounting, information technology, financial management and forensic auditing in order to add value to the corporate governance compliance.

Utami (2013) and Trotman (2013) averred that the experiences and the expertise exhibited by the internal auditors themselves can point to the ability to question the corporate governance practices in the organisations. As a result, the more experienced the auditors become and the more independent they are viewed, improves the deliveries in terms of corporate governance practices within the enterprises. Tabara et al (2011) in an earlier research had concluded that the expertise and the skills distribution of the internal audit function can lead to corporate governance compliance or not in the firms resulting from their ability to advise those charged with governance.

In a similar study to that carried out by Groff et al (2016), Bame –Aldred et al (2012), had conclude in their study of the reliance of external auditors to the internal audit function, provide a comprehensive analysis of the skills gap that exists within the internal audit functions. This includes among others, information technology, forensic accounting, investigations and analytical mind, such that complete understanding in terms of the need for corporate governance compliance is lost. In support to the earlier study by Bame-Aldred et al (2012), Saud and Marchland (2012), in their study of the contribution of internal auditing to corporate governance focusing on the Swedish and Pakistan states, also noted that the lack of the appropriate skills like forensic accounting and auditing plus information technology, is a major let down of the internal audit function of corporate governance achievement in many firm, both in the developing and developed world.

Skills complementarity is also an important issues within the audit function as alluded to by Hailemeriam (2014) and the IIA's standard 1210. Hailemariam (2014) in the study of the in a study of the internal audit function in enhancing corporate governance principles in the Ghanaian public

sector, noted the need for skills upgrading and their complementarity. Seol et al (2011) also noted that the quality of the corporate governance principles implementation is anchor on the ability of the internal audit function to address the pitfalls and the slippery edges. This shows that the skills gap within internal audit function has to be addressed as a matter of enhancing the corporate governance principles in all spheres of the business. Complementing the conclusions by Seol et al (2011), Hundal (2013) posited that an audit team that has a complement of accounting, auditing, investigations had more effectiveness in the execution of its assignments, especially when these skills have also a bias towards information technology. Furthermore, Hundal (2013), noted that as a result of the effect brought about by skills and experience complementarity within the audit team, reporting is enhanced. An extension to the enhancement of the reporting aspect means that investor confidence is raised hence the corporate governance principles. King III (2010) and Peterson (2015) agreed that the competencies of the internal audit function must be a reflection of the skills of the team and that internal audit function should be subject to continuous competence development activities in line with the profession. Peterson (2015) further noted that the internal audit function should be supported by human resources that have appropriate functional expertise (Information technology, Taxation, Investigation), professional orientation and interpersonal traits that promotes teamwork and effective execution of tasks in complementarity.

#### **2.3.4 Management Support and corporate governance compliance.**

Drogalas et al (2015) concluded in their study of the factors affecting internal audit effectiveness in Greece that, the support that the team gets from the management ensures quality improvement in opinion and the resultant quality of the audit reports. In line with the above conclusions, therefore Cohen and Sayag (2010) denoted that management support actually improves the internal audit function. Further support was obtained from Alzeban and Gwilliam (2014), who concluded that there is a positive correlation between internal audit function and the management support within the organisations.

Another conclusion that was drawn by Drogalas et al (2015) was that management support improves the effectiveness and efficiency of the internal audit function in Greece and hence could be true for other environments. Sowmya (2012), in a study of the Indian Corporate Governance structures argued that where the management have created laxity of the systems by not allowing the Internal Audit function to promote transparency and accountability, then corporate governance

structures collapses. Bhasin (2013) averred that scandals are a “tip of the iceberg” and are a manifest of the “visible” issues underling governance issues within organisations. Meaning that what is reflected publicly could be a result of deep rooted aspects of corporate governance failures within the enterprises.

Abid and Ahmed (2012) in their study of governance failure and warnings, within the Dutch republic, concluded that where corporate governance failure in the economy’s effect is not only confined to the firm , but the sector/industry, the social being of the workers and their families at large and the Government in terms of revenue losses and bail out. Sifile et al (2014),in their study of corporate failure in Zimbabwe-“Have the Non-Executive Directors gone to sleep?” resultantly recommended that firm operating in any environment should be guided by a national code or an industrial code that prescribes the general governance issues to be complied to by the firms therein.

### **2.3.5 Internal Audit quality**

In a study of the South African on the corporate governance structures Barac and VanStaden (2009) concluded that there is no correlationship between internal audit quality and corporate governance structures. Cohen and Sayag (2010) also came to the same conclusions as that which came from the research by Barac and VanStaden(2009), noting that, many organisations do not have effective governance structures by have improved internal audit quality. Beisland et al (2013) in a research on audit quality and corporate governance in 173 c countries concluded that there is a positive relationship between audit quality and corporate governance structures within firma. As a result, the authors noted that there is need to strengthen the internal audit functions in order to improve both the audit quality and corporate governance compliance.

Resultantly, Alzeban and Gwilliam (2014) refined the research further and noted that, it is true that there is no correlationship, but internal audit effectiveness improves the quality of the overall reporting quality of the firm hinged on the ability to effectively monitor corporate governance compliances. Internal audit support and corporate governance structures operates in a mutual cooperation if the results of audit quality has to be achieved within organisations (Karagiorgos et al, 2010). Furthermore Tabara and Ungureamu (2012) posited that as internal audit function plays an important role in reducing information asymmetry and information leaks which have a detrimental effect to the organisation.

Drogalas et al (2015) in their study of factors affecting internal audit function, made a very meaningful and positive conclusion in that the internal audit quality is influenced by the ability of the corporate governance structures to embrace the role of the internal audit function in the organisation. Drogalas et al (2016) in their study of the relationship between internal audit function, corporate governance and audit committees, noted that the more skilled and experienced the auditors are the better the quality of the internal audit function. This was further fostered by Yasim (2015) whose research on effect of implementing corporate governance and internal audit concluded that the experience that is exhibited by the audit team and the independence of such a team can help in improving reporting quality and therefore the resultant audit quality from the internal audit function.

Bame-Alfred (2012) posited that the internal audit function reduces the risk of material misstatements and as a result improve the overall audit quality within the firms. Furthermore, Bedard and Graham (2012) noted that the internal audit function usually detects less internal control deficiencies than the external audit. Resultantly, the internal audit function classifies a number of deficiencies as less severe than external auditors. AlQuadasi and Abidin (2018), in a study to establish the relationship between internal governance mechanisms and the audit quality , concluded that the where a high level of compliance to internal governance is achieved within organisations, there is less need to invest in external auditing , especially when there is internal audit complementarity with the governance structures.

King IV report on corporate governance in South Africa, denotes that the Audit Committees should provide their view on the audit quality provided by the internal audit function. This according to ibid, should be based on the prescribed audit quality indicators. Exploring the relationship between auditors qualifications and return on assets, Hutchison and Zain (2009), opined that audit quality can be used as a moderating factor in making the conclusions about the relationship existing.

Adeyemi et al (2012) in their study of the Audit Committees as an enhancement of financial reporting in Nigeria, considered that multi-directorship of membership has a bearing on the audit quality.

Abdullah (2014) in a study of the refinement of the internal audit performance in corporate governance argued that the employment of qualified internal audit personnel helps in the improvement of the audit quality. Furthermore, Trotman (2013), averred that the audit quality

aspect under pinned by the IAF could be better viewed from the perspectives of the users of the financial statements. As a result there is need to ensure that in determining audit quality, the respective stakeholders are considered.

## **2.4 Chapter summary**

This chapter reviewed literature form other authors and scholars on the issues to do with internal audit independence, internal audit team skills and composition and the internal audit members' professional advancements as they relate to corporate governance compliance. There are a conflicting views as a results and these are the gaps that the researcher would want to fill in through the research methodology, which is next chapter and the subsequent chapter 4 of data presentation, analysis and interpretation.

## CHAPTER 3

### RESEARCH METHODOLOGY

#### 3.0 Introduction

The purpose of chapter 3 is to ensure that the research methodology is well articulated including the research philosophy, the research design and the data gathering methods that the research used during the research. Furthermore issues to do with data reliability, research ethics and data validity were also explored.

#### 3.1 Research philosophy

There are at least 3 research philosophies that a researcher uses, namely the positivism, the pragmatic and at the interpretivist. These are explained below including the manner in which they can be used.

##### Positivism

Edirisingha (2012) argued that the positivism approach to research philosophy entails using numerical numbers to prove or disprove a given hypothetical relationship between two variables. Saunders et al (2015) alluded that the purpose is establish the results of a given relationship's existence in a research study. Positivism approach is used in any experimental and surveys were data needs to be quantified by establishing relationships. Francis Bacon is regarded as the father of the positivism approach based on his eighteenth century (Creswell, 2014) According to Saunders et al (2015), the positivism approach emphasizes on the need for clear, accurate and strictly scientific in nature. The need for quantification removes the biases created by the influences of humans.

##### Interpretivist

Creswell (2015) averred that the development of the Interpretivist philosophy was as a result to counter the facets of the positivism approach from a subjective manner and perspective. The argument in the interpretivist approach is that humans differ greatly from other creations and as a results they have the capacity to create meaning by their conduct or behavior. The interpretivist phenomenon was developed in the twentieth century in Europe as a matter of testing how closed

human behavior can be to the scientific phenomenon in the positivism philosophy (Saunders et al, 2015) Its most notable in phenomenology, hermeneutics, phenomenology and /or in symbolic interactionism (Creswell, 2015).The weakness of the interpretivist philosophy however its it subjected to the environment, beliefs, state of mind of the research objects (humans).

### **Pragmatism**

The pragmatism philosophy's emergence between 19<sup>th</sup> and 20<sup>th</sup> centuries was credited to the work of Charles Pierce and John Dewey (Vasloo, 2014). This development brings together the works of the positivists and the interpretivists ideologies into a single perspective (Creswell, 2014). The philosophy considers the concepts, hypothesis, ideas and findings form both a scientific point of view and the qualitative point. According to Saunders et al (2015), the pragmatist focuses more on the practical solutions brought about by the research and the implications of such results to the community or economic fundamentals. Pragmatist therefore interpret their results from both a subjectivism and objectivism because of the positivist and interpretivist phenomenon.

### **Adopted Research Philosophy**

The researcher adopted the positivism approach given the need to scientifically prove or disprove the given hypothesis in this research study. There are relationships within this study which needs that scientific approach in order to provide results that are not subjective and thus the need for positivism approach.

### **3.2 Research design**

Parahoo (1997) defined research design as the procedures and the plan set out for conducting a research. It details the process and the manner in which the researcher has to undertake in order to obtain the requisite information from the research objects (McMillan and Schumacher, 2002). The research design also entails the selection of the research objects, the research location, the instruments design for a specific research to be under taken (Creswell, 2015). Therefore a research design could be simplified into a plan on how, when and where the research data could be collected and analysed. Thus a strategy that the researcher puts in place for the gathering of the data which

informs the results of a specified research study. The choice of research strategy according to Lewis and Thornhill (2009) is informed by the research questions and the hypothesis formulated from these questions. Furthermore the strategy is also based on the extent of the current knowledge, size of the population and the resources available to implement the strategy. There are three designs that a researcher can use in the research study namely, the quantitative design, the qualitative design and the mixed design, incorporating both the qualitative and the quantitative factors.

### **3.2.1 Quantitative research design**

The quantitative research design follows the positivism philosophy of research and is meant to provide that scientific conclusions to a study, in a numerical manner (Saunders et al, 2014). According to Creswell (2015) its aim is to test theories and hypothesis in a quantitative manner and therefore to demonstrate the relationships between given variables. The quantitative approach is aimed at demonstrating the existence or non-existence of a perceived relationship and therefore to predict their behaviors (Van Der Merwe, 1996). Creswell (2014) argued that without the use of the scientific methods, techniques and processes to determine the relationships between the variables in a study, then there exists no quantitative design approach. The intention is to obtain an unbiased and objective conclusion from the respondents in a research study unlike in a qualitative design where, subjectivity is the order of the results.

### **3.2.2 Qualitative research design**

According to Creswell (2014) the qualitative design uses subjective reasoning to a conclusion and as a result the level of bias is very high. Furthermore Saunders et al (2015) noted that the beliefs, the state of mind and the environment could have a bearing on the responses that a person provides. Saunders et al (2015), argued that the results provided form a qualitative point of view cannot be re-measured to ascertain their reliability or validity because of beliefs, the understanding of the object and the state of mind of the respondents. Creswell (2014) noted that the qualitative model is usually associated with both the pragmatic and the interpretivist philosophies of research

### **3.2.3 Justification for Research Design**

The two important variables in this research study are the internal audit function and the performances of SOEs and as such, it is important that these variables be proved numerically. This drives the need for a quantitative research design anchored on the choices of the positivist

philosophy chosen above. There is need to establish whether there is a correlation between the two variables and if there is, the degree of the correlation that exists.

### 3.3 Research approach

Population, population sample and the sample design are explained and highlighted in this section of the methodology. The intention of the research was to establish the existence of the relationship between the internal audit function and SOEs performances in Zimbabwe and as a result, the sample, the sample design need to be reflective of the ideology and the thinking of the populations as a whole.

#### 3.3.1 Research population

Vasloo (2014) defined the population as the universal number of items or units from the data available. Vasloo (2014) further alluded that the research population is the pool from which all the items of the study or units can be picked from in a research.

The population for this study were drawn from all the selected SOEs in Zimbabwe, including those with a regulatory function. The population is made up of the CEOs, Chairpersons, Directors of Finances and the internal Audit Executives. Which means its 4 respondents per SOE. The table below shows that research population and the sample of the research study

**Table 3:1 Population and sample (Krejcie & Morgan (1970))**

Clusters	Number of SOEs	Population	Sample
Chairpersons	10	40	30
CEOS	10	40	35
Finance Directors	10	40	35

Internal Audit executives	10	40	40
<b>Total</b>	<b>10</b>	<b>160</b>	<b>140</b>

Source: Author's design

**3.3.2 Sample size justification**

Population sample was defined by Molenberghs (2011) as the subset of the population under study. The size of the SOEs in Zimbabwe is larger and the researcher chose only 10 of such. The possibility and practicability of the researcher covering all the SOEs informed the decision to concentrate on the selected few. Mugenda and Mugenda (2011) argued that the sample size of at least 50% of the population is reflective of the population and in this case the sample is more than the standard set out. The use of the Krejcie & Morgan (1970) at 95% confidence level and 0.05 margin of error was meant to obtain as higher a sample as possible for this research study.

**3.4 Data collection instruments**

Annum (2017) and Creswell (2014) allude that the data collection instruments are the tools in which the researcher uses in the actual gathering of the information required for the research. There are a number of tools that can use such as observations, questionnaires and interviews to mention but a few.

The researcher is going to use the questionnaires only using the 5 point Likert scale, because the researcher would want to conclude findings by way of the numerical and scientifically proven methods the relationships that exists in the given hypothesis derived.

**3.4.1 Questionnaire**

The first questionnaire was designed by Sir Francis Galton in 1883. It is a systematically structured list of question in which the respondents answers the question in a logical manner to the best of their understanding (Annum, 2017). The purpose is to solicit for response in a direction that the researcher wants. (Creswell, 2014). The questionnaire has an advantage that it is easier to follow

if designed in a manner that removes complexity and ambiguity. There are two types of questionnaires namely, the open ended and closed ended. In a closed ended questionnaire, the respondents are not given a choice to provide their own perspective on the subject matter but are guided into simple agreeing or disagreeing to a given question provided by the researcher. The results from this type of questionnaire are easier to quantify and analyse. Conversely in an open ended questionnaire, the respondents can add their opinions, thoughts or voice to the issues under discussion (Bolarinwa, 2015). Bolarinwa (2015), highlighted the need for clarity, conciseness and specificity in any quantitative research questionnaires. The researcher used the 5-point Likert scale which is easier to understand and logical in nature.

### **3.4.2 Data collection procedure**

The questionnaires were personally administered by the researcher in order to obtain control. This also made it easier for directing the questionnaires to the appropriate people who have a clear understanding of the issues under study.

## **3.5 Data sources**

Two data types were used in this research study namely, the primary data and the secondary data. Below is the description of each of the data type.

### **3.5.1 Primary data**

Primary data is that original data collected for a precise study objective (Creswell, 2014). This means that the data will be specific to the researcher and no other person would have collected the data before (Creswell, 2014). Primary data according to Saunders et al (2015) has the following advantages, Firstly its originality and specificity to the study under view. Secondly primary data is more realistic in solving the problem at hand and that its evaluation is easier to carry out. Data under primary type will be collected in this research using the questionnaire design for the 5 point Likert scale. The data will then be analysed through the statistical Package for the Social Science (SPSS) version 20

### **3.5.2 Secondary data**

Secondary data on the other hand relates to that data type for which the collection has already been done for other studies or purposes (Creswell,2014) According to Saunders et al (2015) this type of information is available in libraries, data centres, publications and journals. Its major advantage is that this data type is already available and the cost and effort of obtaining it is very low. However in most cases it cannot be wholly used for the purposes of a new research in that it does not form the underlining objective of the study. Its purpose for the specific study is limited to guiding information only.

### **3.6 Reliability and validity**

Tovakol and Denminik (2011) defined data reliability as that degree for which the users of the information can place on it. It is dependent upon the source of the data, the collector of the data and the timeframe to which the data has been collected. Furthermore Saunders et al (2015) argue that it is also dependent on the population size selected for the research study. Validity on the other hand measures whether the results reflect on the intended purpose of the study.

#### **3.6.1 Reliability**

According to the Joppe (2000) reliability can only be achieved when the same instruments are used in identical situations to check consistency of the results in different situations. Adefioye (2015) referred to reliability as to the consistency, stability and repeatability of the results of the study. The results of a research are measured reliably if dependable results have been obtained in matching situations but different conditions (Twycross and Shields, 2004). The study uses the Cronbach's acceptable alpha coefficient of above 0.5 to measure reliability of the variables under study (Cronbach, 1951).

### **3.6.2 Validity**

According to Thatcher (2010) validity can be the degree to which any measuring tool measures what it is intended to measure. In order to achieve validity, the researcher carries out a pilot research taking into account all the validity instruments into account.

### **3.7 Ethical considerations**

According to Clough and Nutbrown (2002) in the context of ethical consideration the researcher has to protect opinions, welfare, confidentiality and rights of the respondents. This research will comply and adhere to rules and regulations of the university. The data collected will be kept confidential and for academic purposes only and anonymity of participants is ensured through exclusion of personal information on the questionnaire. The research will use data collected and used only for this study and may share the findings of the study with interested respondents. The researcher undertakes to disclose findings of the research truthfully.

### **3.8 Data analysis and presentation**

The data collected by the researcher was presented by way of graphs, tables and charts. The data presented was obtained by the way of questionnaire administered to various respondents and also obtained from publications and other SOEs reports. The questionnaires were screened and tabulated in a tally according the respondents in each questionnaire. The technique is included in the thematic and comparative analysis. The data is analyzed through SPSS 16.0 program which provides descriptive results. The Pearson correlation matrix is used to establish the extent of the relationship between the three variables in the conceptual framework and to SOEs performance. Pearson correlation matrix is used because of the measurement scale applied in assessing the opinions of respondents regarding their levels of agreement and disagreement to the effect variables on the outcome

### **3.9 Chapter summary**

The chapter emphasized on the research methodology which was premised on research philosophy, research design, sampling, data collection methods and data presentation. The population was

derived from the SOEs. Reliability, validity and ethical consideration were also proffered in this chapter. The chapter also covered the procedures to be employed in collection of data. Primary data will be collected through questionnaire and secondary data will be obtained from company reports and published articles. Conclusively, the research methodology will be a formal study with an orientation towards quantitative techniques on measuring responses to questionnaires. The following chapter will cover the presentation and analysis of the data collected through methodology of this chapter.

## Chapter 4

### Data analysis and Presentation

#### 4.0 Introduction

The Chapter analysis and presents data that was gathered in the previous chapter and will present this using tables.

#### 4.1 Questionnaire response rate

Table 4.1: Questionnaire response rate

		Frequency	Percent	Cumulative Percent
	Returned	130	93%	93%
	Not returned	10	7%	100%
<b>Total</b>		140	100%	

A total of 140 questionnaires were self-administered by the researcher and out of these 130 of them were returned representing 93%, while the remaining 10 or 7% were not returned. According to Mugenda and Mugenda (2009) and Creswell (2014) a questionnaire response rate above 50% warrants further analysis and as such the researcher went ahead and tallied the responses which forms the results presented for each question analysed below.

#### 4.2 Entity and Internal function existence

**Table 4.2: The Entity has an Internal Audit Function**

		Frequency	Percent	Valid Percent	Cumulative Percent
<b>Valid</b>	Yes	91	65%	70%	70%
	No	39	28%	30%	100%
	System	130	93%	100%	
	Missing	10	7%		
<b>Total</b>		140	100%		

A total of 91/130 of the respondents noted that they had the internal audit functions in their entities representing 70% of the sampled respondents. Meanwhile 39/130 or 30% of the respondents indicated that they do not have internal audit functions in their organisation as part of the organisational structure.

### 4.3 Officers in the audit function

Table 4.3: How many people are in audit function

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 5	15	11%	12%	12%
	Between 5 and 10	35	25%	27%	38%
	Between 10-15	61	44%	47%	85%
	Above 15	19	14%	15%	100%
	Total	130	93%	100%	
Missing	System	10	7%		
<b>Total</b>		<b>140</b>	<b>100%</b>		

A total of 15/130(11%) of the respondents indicated that the audit function within their entities have below 15 officers employed in them. The other 35/130(25%) indicated that the audit function is staffed between 5 and 10 Officers, while 61/130(44%) highlighted that their audit function have between 10 and 15 staff members. Finally 19/130(14%) indicated an audit function that has more than 15 employees.

It can be concluded that within the sampled entities, the mode of the employees in the audit function was between 10 and 15 employees. Meaning that the audit function within the public sector SOEs is not very higher in comparison with the private sector conglomerates that averages 25 employees.

### 4.4 The performers of the Internal Audit Function

Table 4.4: The performers of the Internal Audit Function

		Frequency	Percent	Valid Percent	Cumulative Percent
<b>Valid</b>	None	41	29%	32%	32%
	Outsourcing	89	64%	68%	100%
	Total	130	93%	100%	
<b>Missing</b>	System	10	7%		
<b>Total</b>		<b>140</b>	<b>100%</b>		

A total of 41/130 of the entities do not have the internal audit function being practiced representing 32% of the respondents. The remaining 89/130 or 68% of the respondents do have the internal audit function but that function is being outsourced to other professional organisation.

It can be concluded that the for those firms that have an understanding of the internal audit function's role , about 68% of those do outsource the service, as a result of the lack of expertise or shortage of the requisite manpower in the organisation.

#### 4.5 Availability of Corporate Governance Code

		Frequency	Percent	Valid Percent	Cumulative Percent
<b>Valid</b>	Yes	89	64%	68%	68%
	No	41	29%	32%	100%
	Total	130	93%	100%	
<b>Missing</b>	System	10	7%		
<b>Total</b>		140	100%		

Respondents representing 68% indicated that their entities follow a given Corporate Governance Code. Numerically this class of respondents were 89/130 of the total sample in use. The remainder of 41/130 representing 32% indicated that the firm does not follow, formally, an code of corporate governance.

The conclusions drawn here are that quite a sizeable number of the entities in the public sector are aware of the existence of some corporate governance codes and are therefore followers of such codes.

#### 4.6 Corporate Governance Awareness Carried out

		Frequency	Percent	Valid Percent	Cumulative Percent

<b>Valid</b>	Annually	42	30%	32%	32%
	Quarterly	33	24%	25%	58%
	Monthly	24	17%	18%	76%
	Weekly	21	15%	16%	92%
	Daily	10	7%	8%	100%
	Total	130	93%	100%	
<b>Missing</b>	System	10	7%		
<b>Total</b>		140	100%		

The entities carry out some corporate governance awareness both to their clients and to the employees, so that their achieve compliance to the corporate governance codes they follow. 42/130 or 32% of the respondents noted that the awareness are carried out annually in their organisations, while 33/130(25%) carry out the awareness on a quarterly basis. Those who indicated that awareness of the corporate governance codes are carried out monthly were 24/130(18%) and 21/130(16%) does the awareness on a weekly basis. The remaining 10/130 (8%) indicated that the exercise is done daily within the workplace.

It can therefore be concluded from this analysis that on the most appropriate time frame for the carrying out of the awareness is between quarters and annually.

**THE ROLE OF INTERNAL AUDIT FUNCTION IN RISK MANAGEMENT IN THE ORGANISATION**

**4.7 Internal Audit and risk identification**

**Table 4.8: Internal Audit and risk identification**

		Frequency	Percent	Valid Percent	Cumulative Percent
<b>Valid</b>	Very effective	41	29%	32%	32%
	Effective	33	24%	25%	57%
	Uncertain	24	17%	18%	75%
	Slightly ineffective	19	14%	15%	90%
	In effective	13	9%	10%	100%
	Total	130	93%	100%	
<b>Missing</b>	System	10	7%		
<b>Total</b>		140	100%		

41/130 respondents representing 32% indicated that the internal audit function was very effective in the risk identification in their organisation. 33/130(25%) indicated that the function was effective while 24/130(18%) were uncertain on the effectiveness of the internal audit function. 19/130(15%) noted that the function of internal audit was slightly ineffective in risk identification. The remainder of 13/130(10%) indicated that the internal audit function was ineffective in the risk identification purposes in the organisation.

In total 74/130(57%) were in agreement to the effectiveness of the positive effect of the internal audit function while the remainder of 56/130(43%) of the respondents indicated that the internal audit was ineffectiveness in risk identification in the entities.

It can therefore be concluded based on the above analysis that more than 50% of the respondents were of the opinion that the internal audit function brings effectiveness in the risk identification process in the entities sampled. Therefore the internal audit is required in order to improve effectiveness of risk identification.

#### 4.8 Internal Audit and Risk Assessment

		Frequency	Percent	Valid Percent	Cumulative Percent
<b>Valid</b>	Very effective	38	27%	29%	29%
	Effective	32	23%	25%	54%
	Uncertain	23	16%	18%	72%
	Slightly ineffective	15	11%	12%	83%
	In effective	22	16%	17%	100%
	Total	130	93%	100%	
<b>Missing</b>	System	10	7%		
<b>Total</b>		140	100%		

38/130 respondents representing 29% indicated that the internal audit function was very effective in risk assessment process in their entities. 32/130(25%) indicated that the function was effective while 23/130(18%) were uncertain on the effectiveness of the internal audit function in risk assessment. 15/130(12%) opines that the function of internal audit was slightly ineffective in risk assessment. The remainder of 22/130(17%) indicated that the internal audit function was ineffective in the risk assessment process in their organisation.

In total 70/130(54%) were in agreement to the effectiveness of the positive effect of the internal audit function in risk assessment, while the remainder of 60/130(46%) of the respondents indicated that the internal audit was ineffectiveness in risk assessment processes in their entities.

It can therefore be concluded based on the above analysis that more than 50% of the respondents were of the opinion that the internal audit function brings effectiveness in the risk assessment process in the entities sampled. Therefore the internal audit is required in order to improve effectiveness of risk assessment

#### 4.9 Internal Audit and risk mitigation

<b>Table 4.10: Internal Audit and risk mitigation</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
<b>Valid</b>	Very effective	33	24%	25%	25%
	Effective	37	26%	28%	54%
	Uncertain	26	19%	20%	74%
	ineffective	19	14%	15%	88%
	Very ineffective	15	11%	12%	100%
	Total	130	93%	100%	
<b>Missing</b>	System	10	7%		
<b>Total</b>		140	100%		

33/130 or 25% of the respondents indicated that the internal audit function was very effective in risk mitigation in their entities. 37/130(28%) indicated that the function was effective while 26/130(20%) were uncertain on the effectiveness of the internal audit function on risks mitigation. 19/130(15%) opines that the function of internal audit was ineffective in risk mitigation. The remainder of 15/130(12%) indicated that the internal audit function was very ineffective in the risk mitigatory process.

In total 70/130(54%) were in agreement to the effectiveness of the internal audit function in risk mitigation, while the remainder of 60/130(46%) of the respondents indicated that the internal audit was ineffectiveness in risk mitigation

It can therefore be concluded based on the above analysis that more than 50% of the respondents were of the opinion that the internal audit function brings effectiveness in the risk assessment process in the entities sampled. Therefore the internal audit is required in order to improve effectiveness of risk mitigation.

**4.10 Internal Audit and risk monitoring**

**Table 4.11: Internal Audit and risk monitoring**

		Frequency	Percent	Valid Percent	Cumulative Percent
<b>Valid</b>	Very effective	35	25%	27%	27%
	Effective	28	20%	22%	48%
	Uncertain	22	16%	17%	65%
	Slightly Effective	19	14%	15%	80%
	In effective	26	19%	20%	100%
	Total	130	93%	100%	
<b>Missing</b>	System	10	7%		
<b>Total</b>		140	100%		

35/130 or 27% of the respondents indicated that the internal audit function was very effective in risk monitoring in their entities. 28/130(22%) indicated that the function was effective while 22/130(17%) were uncertain on the effectiveness of the internal audit function on risks mitigation. 19/130(15%) opines that the function of internal audit was ineffective in risk monitoring. The remainder of 26/130(19%) indicated that the internal audit function was very ineffective in the risk monitoring purposes.

In total 63/130(48%) were in agreement to the effectiveness of the internal audit function in risk monitoring, while the remainder of 67/130(52%) of the respondents indicated that the internal audit was ineffectiveness in risk monitoring.

It can therefore be concluded based on the above analysis that less than 50% of the respondents were of the opinion that the internal audit function does not bring effectiveness in the risk monitoring in the entities sampled. Therefore the internal audit does not play any role in effective risk monitoring processes.

#### 4.11 : Internal Audit and suggesting management strategies

Table 4.12: Internal Audit and suggesting management strategies					
		Frequency	Percent	Valid Percent	Cumulative Percent
<b>Valid</b>	Very effective	28	20%	22%	22%
	Effective	31	22%	24%	45%
	Uncertain	35	25%	27%	72%
	Slightly Effective	19	14%	15%	87%
	In effective	17	12%	13%	100%
	Total	130	93%	100%	
<b>Missing</b>	System	10	7%		
<b>Total</b>		140	100%		

28/130 or 22% of the respondents indicated that the internal audit function was very effective in suggesting management strategies in their entities. 31/130(24%) indicated that the function was effective while 35/130(27%) were uncertain on the effectiveness of the internal audit function on suggesting management strategies. 19/130(15%) opines that the function of internal audit was ineffective in suggesting management strategies. The remainder of 17/130(13%) indicated that the internal audit function was very ineffective in suggesting management strategies.

In total 59/130(45%) were in agreement to the effectiveness of the internal audit function in suggesting management strategies. The remainder of 71/130(55%) of the respondents indicated that the internal audit was ineffectiveness in suggesting management strategies.

It can therefore be concluded based on the above analysis that less than 50% of the respondents were of the opinion that the internal audit function does not bring effectiveness in suggesting management strategies. Therefore the internal audit does not play any role in suggesting management strategies.

#### 4.12 : Internal Audit and provision of risk being appropriately managed

Table 4.13: Internal Audit and Provision of risk being appropriately managed					
		Frequency	Percent	Valid Percent	Cumulative Percent

<b>Valid</b>	Very effective	41	29%	32%	32%
	Effective	27	19%	21%	52%
	Uncertain	24	17%	18%	71%
	Slightly Effective	20	14%	15%	86%
	In effective	18	13%	14%	100%
	Total	130	93%	100%	
<b>Missing</b>	System	10	7%		
<b>Total</b>		140	100%		

41/130 representing 32% of the respondents indicated that the internal audit function was very effective in ensuring that risk was being appropriately managed within the entity. 27/130(21%) indicated that the function was effective while 24/130(18%) were uncertain on the effectiveness of the internal audit function in ensuring that risk was being appropriately managed within the entity. 20/130(15%) were of the opinion that the function of internal audit was ineffective in ensuring that risk was being appropriately managed within the entity. The remainder of 18/130(14%) indicated that the internal audit function was very ineffective in ensuring that risk was being appropriately managed within the entity.

In total 68/130(52%) were in agreement to the effectiveness of the internal audit function in ensuring that risk was being appropriately managed within the entity. The remainder of 62/130(48%) of the respondents indicated that the internal audit was ineffectiveness in ensuring that risk was being appropriately managed within the entity.

It can therefore be concluded based on the above analysis that more than 50% of the respondents were of the opinion that the internal audit function does brings effectiveness in ensuring that risk was being appropriately managed within the entity. Therefore the internal audit is plays a very critical role in in ensuring that risk was being appropriately managed within the entity.

**4.13 Internal Audit and assessing values and ethics**

Table 4.14: Internal Audit and assessing values and ethics					
		Frequency	Percent	Valid Percent	Cumulative Percent
<b>Valid</b>	Very effective	40	29%	31%	31%
	Effective	32	23%	25%	55%
	Uncertain	21	15%	16%	72%

	Slightly Effective	19	14%	15%	86%
	In effective	18	13%	14%	100%
	Total	130	93%	100%	
<b>Missing</b>	System	10	7%		
<b>Total</b>		140	100%		

40/130 representing 31% of the respondents indicated that the internal audit function was very effective in assessing values and ethics within the entity. 32/130(25%) indicated that the function was effective while 21/130(16%) were uncertain on the effectiveness of the internal audit function in assessing values and ethics within the entity. 19/130(15%) were of the opinion that the function of internal audit was ineffective in assessing values and ethics within the entity. The remainder of 18/130(14%) indicated that the internal audit function was very ineffective in assessing values and ethics within the entity

In total 72/130(55%) were in agreement to the effectiveness of the internal audit function in assessing values and ethics within the entity. The remainder of 58/130(45%) of the respondents indicated that the internal audit was ineffectiveness in assessing values and ethics within the entity.

It can therefore be concluded based on the above analysis that more than 50% of the respondents were of the opinion that the internal audit function does brings effectiveness in assessing values and ethics within the entity. Therefore the internal audit is plays a very critical role in assessing values and ethics within the entity.

**4.14 Internal Audit and performance management**

Table 4.15: Internal Audit and performance management

		Frequency	Percent	Valid Percent	Cumulative Percent
<b>Valid</b>	Very effective	37	26%	28%	28%
	Effective	33	24%	25%	54%
	Uncertain	23	16%	18%	72%
	Slightly Effective	17	12%	13%	85%
	In effective	20	14%	15%	100%
	Total	130	93%	100%	
<b>Missing</b>	System	10	7%		
<b>Total</b>		140	100%		

37/130 representing 28% of the respondents indicated that the internal audit function was very effective in assessing performance management within the entity. 33/130(25%) indicated that the function was effective while 23/130(18%) were uncertain on the effectiveness of the internal audit function in assessing performance management within the entity. 17/130(13%) were of the opinion that the function of internal audit was ineffective in assessing performance management within the entity. The remainder of 20/130(15%) indicated that the internal audit function was very ineffective in assessing performance management within the entity

In total 70/130(54%) were in agreement to the effectiveness of the internal audit function in assessing performance management within the entity. The remainder of 60/130(46%) of the respondents indicated that the internal audit was ineffectiveness in assessing performance management within the entity.

It can therefore be concluded based on the above analysis that more than 50% of the respondents were of the opinion that the internal audit function does brings effectiveness in assessing performance management within the entity. Therefore the internal audit is plays a very critical role in assessing performance management within the entity.

#### 4.15 Overall Assessment of Internal Audit and risk management

Table 4.16: Internal Audit and performance management	5	4	3	2	1
<b>RISK MANAGEMENT</b>					
<b>a) Risk Identification</b>	41	33	24	19	13
<b>b) Risk Assessment</b>	38	32	23	15	22
<b>c) Risk Mitigation</b>	33	37	26	19	15
<b>d) Risk Monitoring</b>	35	28	22	19	26
<b>e) Suggest risk management strategies</b>	28	31	35	19	17
<b>f) Provide assurance that the risks are being appropriately managed</b>	31	27	34	20	18
<b>g) Assess ethics and values within the organization,</b>	40	32	21	19	18
<b>h) Assess performance management</b>	37	33	23	17	20
<b>Totals</b>	<b>283</b>	<b>253</b>	<b>208</b>	<b>147</b>	<b>149</b>

<b>Mean</b>					208
<b>Variance</b>					2,970.4
<b>Standard Deviation</b>					60.93

The mean for the overall distribution of the risk management and internal audit function shows that the mean was 208 meaning that it falls within the uncertain category. The variance of the distribution for the risk management and relationship with internal audit function was 2,970.4 while the standard deviation was 60.93 respondents.

The conclusions reached are that the majority of the respondents believe that the internal audit function was very effective in enhancing the risk management process within their entities. Thus there is need for the function within organisations.

**INTERNAL AUDIT AND INTERNAL CONTROLS**

**4.16 Internal Audit and Reviews of individual systems and processes**

<b>Table 4.17: Internal Audit and Reviews of individual systems and processes</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
<b>Valid</b>	Very effective	38	27%	29%	29%
	Effective	31	22%	24%	53%
	Uncertain	25	18%	19%	72%
	Slightly Effective	17	12%	13%	85%
	In effective	19	14%	15%	100%
	Total	130	93%	100%	
<b>Missing</b>	System	10	7%		
<b>Total</b>		140	100%		

38/130 representing 29% of the respondents indicated that the internal audit function was very effective in reviewing of individual systems and processes. 31/130(24%) indicated that the function was effective while 25/130(19%) were uncertain on the effectiveness of the internal audit function in reviewing of individual systems and processes. 17/130(13%) were of the opinion that the function of internal audit was ineffective in reviewing of individual systems and processes. The remainder of 19/130(15%) indicated that the internal audit function was very ineffective in reviewing of individual systems and processes.

In total 69/130(53%) were in agreement to the effectiveness of the internal audit function in reviewing of individual systems and processes. The remainder of 61/130(47%) of the respondents indicated that the internal audit was ineffectiveness in reviewing of individual systems and processes.

It can therefore be concluded based on the above analysis that more than 50% of the respondents were of the opinion that the internal audit function does brings effectiveness in reviewing of individual systems and processes. Therefore the internal audit is plays a very critical role in reviewing of individual systems and processes.

#### 4.17 Internal Audit and provision of financial controls

<b>Table 4.18: Internal Audit and Provision of Financial controls</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
<b>Valid</b>	Very effective	42	30%	32%	32%
	Effective	30	21%	23%	55%
	Uncertain	27	19%	21%	76%
	Slightly Effective	21	15%	16%	92%
	In effective	10	7%	8%	100%
	Total	130	93%	100%	
<b>Missing</b>	System	10	7%		
<b>Total</b>		140	100%		

42/130 representing 32% of the respondents indicated that the internal audit function was very effective in assessing the effectiveness of provision of financial controls. 30/130(23%) indicated that the function was effective while 27/130(21%) were uncertain on the effectiveness of the internal audit function in assessing the effectiveness of provision of financial controls. 21/130(16%) were of the opinion that the function of internal audit was ineffective in assessing the effectiveness of provision of financial controls. The remainder of 10/130(8%) indicated that the internal audit function was very in assessing the effectiveness of provision of financial controls

In total 72/130(55%) were in agreement to the effectiveness of the internal audit function in assessing the effectiveness of provision of financial controls. The remainder of 58/130(45%) of

the respondents indicated that the internal audit was ineffectiveness in assessing the effectiveness of provision of financial controls.

It can therefore be concluded based on the above analysis that more than 50% of the respondents were of the opinion that the internal audit function does brings effectiveness in assessing the effectiveness of provision of financial controls. Therefore the internal audit is plays a very critical role in assessing the effectiveness of provision of financial controls.

#### 4.18 Internal Audit and Managerial controls

		Frequency	Percent	Valid Percent	Cumulative Percent
<b>Valid</b>	Very effective	36	26%	28%	28%
	Effective	32	23%	25%	52%
	Uncertain	27	19%	21%	73%
	Slightly Effective	19	14%	15%	88%
	In effective	16	11%	12%	100%
	Total	130	93%	100%	
<b>Missing</b>	System	10	7%		
<b>Total</b>		140	100%		

36/130 representing 28% of the respondents indicated that the internal audit function was very effective in assessing managerial controls within the entity. 32/130(25%) indicated that the function was effective while 27/130(21%) were uncertain on the effectiveness of the internal audit function in assessing managerial controls within the entity. 19/130(15%) were of the opinion that the function of internal audit was ineffective in assessing managerial controls within the entity. The remainder of 16/130(12%) indicated that the internal audit function was very ineffective in assessing managerial controls within the entity.

In total 68/130(52%) were in agreement to the effectiveness of the internal audit function in assessing managerial controls within the entity. The remainder of 62/130(48%) of the respondents indicated that the internal audit was ineffectiveness in assessing managerial controls within the entity.

It can therefore be concluded based on the above analysis that more than 50% of the respondents were of the opinion that the internal audit function does bring effectiveness in assessing performance management within the entity. Therefore the internal audit plays a very critical role in assessing performance management within the entity.

#### 4.19 Internal Audit and Operational policies controls

<b>Table 4.20: Internal Audit and Operational policies controls</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
<b>Valid</b>	Very effective	41	29%	32%	32%
	Effective	29	21%	22%	54%
	Uncertain	24	17%	18%	72%
	Slightly Effective	21	15%	16%	88%
	In effective	15	11%	12%	100%
	Total	130	93%	100%	
<b>Missing</b>	System	10	7%		
<b>Total</b>		140	100%		

41/130 representing 32% of the respondents indicated that the internal audit function was very effective in assessing operational policies controls within the entity. 29/130(22%) indicated that the function was effective while 24/130(18%) were uncertain on the effectiveness of the internal audit function in assessing operational policies controls within the entity. 21/130(16%) were of the opinion that the function of internal audit was ineffective in assessing operational policies controls within the entity. The remainder of 15/130(12%) indicated that the internal audit function was very ineffective in assessing operational policies controls within the entity.

In total 70/130(54%) were in agreement to the effectiveness of the internal audit function in assessing operational policies controls within the entity. The remainder of 60/130(46%) of the respondents indicated that the internal audit was ineffectiveness in assessing operational policies controls within the entity.

It can therefore be concluded based on the above analysis that more than 50% of the respondents were of the opinion that the internal audit function does bring effectiveness in assessing

operational policies controls within the entity. Therefore the internal audit is plays a very critical role in assessing operational policies controls within the entity.

#### 4.20 Internal Audit and Control information within the organization

<b>Table 4.21: Internal Audit and control information within the organization</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
<b>Valid</b>	Very effective	39	28%	30%	30%
	Effective	34	24%	26%	56%
	Uncertain	27	19%	21%	77%
	Slightly Effective	18	13%	14%	91%
	In effective	12	9%	9%	100%
	Total	130	93%	100%	
<b>Missing</b>	System	10	7%		
<b>Total</b>		140	100%		

39/130 representing 30% of the respondents indicated that the internal audit function was very effective in ensuring control information within the organization within the entity. 34/130(26%) indicated that the function was effective while 27/130(21%) were uncertain on the effectiveness of the internal audit function in ensuring control information within the organization within the entity. 18/130(14%) were of the opinion that the function of internal audit was ineffective in ensuring control information within the organization within the entity. The remainder of 12/130(9%) indicated that the internal audit function was very ineffective in ensuring control information within the organization within the entity.

In total 73/130(56%) were in agreement to the effectiveness of the internal audit function in ensuring control information within the organization within the entity. The remainder of 57/130(44%) of the respondents indicated that the internal audit was ineffectiveness in ensuring control information within the organization within the entity.

It can therefore be concluded based on the above analysis that more than 50% of the respondents were of the opinion that the internal audit function does brings effectiveness in ensuring control

information within the organization within the entity. Therefore the internal audit is plays a very critical role in ensuring control information within the organization within the entity.

#### 4.21 Internal Audit and Accounting Information and communication

<b>Table 4.22: Internal Audit and Accounting Information and communication</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
<b>Valid</b>	Very effective	45	32%	35%	35%
	Effective	33	24%	25%	60%
	Uncertain	28	20%	22%	82%
	Slightly Effective	15	11%	12%	93%
	In effective	9	6%	7%	100%
	Total	130	93%	100%	
<b>Missing</b>	System	10	7%		
<b>Total</b>		140	100%		

45/130 representing 35% of the respondents indicated that the internal audit function was very effective in aiding accounting information and communication within the entity. 33/130(25%) indicated that the function was effective while 28/130(22%) were uncertain on the effectiveness of the internal audit function in aiding accounting information and communication within the entity. 15/130(12%) were of the opinion that the function of internal audit was ineffective in aiding accounting information and communication within the entity. The remainder of 9/130(7%) indicated that the internal audit function was very ineffective in aiding accounting information and communication within the entity.

In total 78/130(60%) were in agreement to the effectiveness of the internal audit function in aiding accounting information and communication within the entity. The remainder of 52/130(40%) of the respondents indicated that the internal audit was ineffectiveness in aiding accounting information and communication within the entity.

It can therefore be concluded based on the above analysis that more than 50% of the respondents were of the opinion that the internal audit function does brings effectiveness in aiding accounting

information and communication within the entity. Therefore the internal audit is plays a very critical role in aiding accounting information and communication within the entity.

#### 4.22 Internal Audit and Assessment of internal control framework

<b>Table 4.23: Internal Audit and Assessment of internal control framework</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
<b>Valid</b>	Very effective	21	15%	16%	16%
	Effective	27	19%	21%	37%
	Uncertain	34	24%	26%	63%
	Slightly Effective	29	21%	22%	85%
	In effective	19	14%	15%	100%
	Total	130	93%	100%	
<b>Missing</b>	System	10	7%		
<b>Total</b>		140	100%		

21/130 representing 16% of the respondents indicated that the internal audit function was very effective in assessing of internal control framework within the entity. 27/130(21%) indicated that the function was effective while 34/130(26%) were uncertain on the effectiveness of the internal audit function in assessing of internal control framework within the entity. 29/130(22%) were of the opinion that the function of internal audit was ineffective in assessing of internal control framework within the entity. The remainder of 19/130(15%) indicated that the internal audit function was very ineffective in assessing of internal control framework within the entity.

In total 48/130(37%) were in agreement to the effectiveness of the internal audit function in assessing of internal control framework within the entity. The remainder of 82/130(63%) of the respondents indicated that the internal audit was ineffectiveness in assessing of internal control framework within the entity.

It can therefore be concluded based on the above analysis that more than 50% of the respondents were of the opinion that the internal audit function does brings effectiveness in assessing of internal control framework within the entity. Therefore the internal audit is plays a very critical role in assessing of internal control framework within the entity.

#### 4.23 Internal Audit and Methodical examination of business processes and connected controls

<b>Table 4.24: Internal Audit and Methodical examination of business processes and connected controls</b>		Frequency	Percent	Valid Percent	Cumulative Percent
<b>Valid</b>	Very effective	27	19%	21%	21%
	Effective	33	24%	25%	46%
	Uncertain	30	21%	23%	69%
	Slightly Effective	21	15%	16%	85%
	In effective	19	14%	15%	100%
	Total	130	93%	100%	
<b>Missing</b>	System	10	7%		
<b>Total</b>		140	100%		

27/130 representing 21% of the respondents indicated that the internal audit function was very effective in assessing methodical examination of business processes and connected controls. 33/130(25%) indicated that the function was effective while 30/130(23%) were uncertain on the effectiveness of the internal audit function in assessing methodical examination of business processes and connected controls within the entity. 21/130(16%) were of the opinion that the function of internal audit was ineffective in assessing methodical examination of business processes and connected controls within the entity. The remainder of 19/130(15%) indicated that the internal audit function was very ineffective in assessing methodical examination of business processes and connected controls.

In total 70/130(54%) were in agreement to the effectiveness of the internal audit function in assessing methodical examination of business processes and connected controls. The remainder of 60/130(46%) of the respondents indicated that the internal audit was ineffectiveness in assessing methodical examination of business processes and connected controls.

It can therefore be concluded based on the above analysis that more than 50% of the respondents were of the opinion that the internal audit function does brings effectiveness in assessing

methodical examination of business processes and connected controls. Therefore the internal audit is plays a very critical role in assessing methodical examination of business processes and connected controls.

#### 4.24 Internal Audit and Provision of independent verification of a sufficient sample of transactions to ensure integrity of the decision making process

Table 4.25: Internal Audit and Provision of independent verification of a sufficient sample of transactions to ensure integrity of the decision making process					
		Frequency	Percent	Valid Percent	Cumulative Percent
<b>Valid</b>	Very effective	42	30%	32%	32%
	Effective	31	22%	24%	56%
	Uncertain	27	19%	21%	77%
	Slightly Effective	17	12%	13%	90%
	In effective	13	9%	10%	100%
	Total	130	93%	100%	
<b>Missing</b>	System	10	7%		
<b>Total</b>		140	100%		

42/130 representing 32% of the respondents indicated that the internal audit function was very effective in ensuring the provision of independent verification of a sufficient sample of transactions to ensure integrity of the decision making process. 31/130(24%) indicated that the function was effective while 27/130(21%) were uncertain on the effectiveness of the internal audit function in ensuring the provision of independent verification of a sufficient sample of transactions to ensure integrity of the decision making process. 17/130(13%) were of the opinion that the function of internal audit was ineffective in ensuring the provision of independent verification of a sufficient sample of transactions to ensure integrity of the decision making process. The remainder of 13/130(10%) indicated that the internal audit function was very ineffective in ensuring the provision of independent verification of a sufficient sample of transactions to ensure integrity of the decision making process.

In total 73/130(56%) were in agreement to the effectiveness of the internal audit function in ensuring the provision of independent verification of a sufficient sample of transactions to ensure

integrity of the decision making process. The remainder of 57/130(44%) of the respondents indicated that the internal audit was ineffectiveness in ensuring the provision of independent verification of a sufficient sample of transactions to ensure integrity of the decision making process.

It can therefore be concluded based on the above analysis that more than 50% of the respondents were of the opinion that the internal audit function does brings effectiveness in ensuring the provision of independent verification of a sufficient sample of transactions to ensure integrity of the decision making process. Therefore the internal audit is plays a very critical role in ensuring the provision of independent verification of a sufficient sample of transactions to ensure integrity of the decision making process.

#### 4.25 Internal audit ongoing and independent reconciliation of all balances

Table 4.26: Ongoing and independent reconciliation of all balances					
		Frequency	Percent	Valid Percent	Cumulative Percent
<b>Valid</b>	Very effective	20	14%	15%	15%
	Effective	29	21%	22%	38%
	Uncertain	35	25%	27%	65%
	Slightly Effective	25	18%	19%	84%
	In effective	21	15%	16%	100%
	Total	130	93%	100%	
<b>Missing</b>	System	10	7%		
<b>Total</b>		140	100%		

20/130 representing 15% of the respondents indicated that the internal audit function was very effective in ensuring the ongoing and independent reconciliation of all balances. 29/130(22%) indicated that the function was effective while 35/130(27%) were uncertain on the effectiveness of the internal audit function in ensuring the ongoing and independent reconciliation of all balances within the entities. 25/130(19%) were of the opinion that the function of internal audit was ineffective in ensuring the provision of independent verification of a sufficient sample of transactions to ensure integrity of the decision making process. The remainder of 21/130(16%)

indicated that the internal audit function was very ineffective in ensuring the ongoing and independent reconciliation of all balances within the entities.

In total 49/130(38%) were in agreement to the effectiveness of the internal audit function in ensuring the ongoing and independent reconciliation of all balances within the entities. The remainder of 81/130(62%) of the respondents indicated that the internal audit was ineffectiveness in ensuring the ongoing and independent reconciliation of all balances within the entities

It can therefore be concluded based on the above analysis that less than 50% of the respondents were of the opinion that the internal audit function does brings effectiveness in ensuring the ongoing and independent reconciliation of all balances within the entities. Therefore the internal audit does not play a very critical role in ensuring the provision of independent verification of a sufficient sample of transactions in ensuring the ongoing and independent reconciliation of all balances within the entities.

#### **4.26 Overall Assessment of Internal Controls**

Table 4.27: Overall assessment	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
<b>a) Reviews of individual systems and processes</b>	<b>38</b>	<b>31</b>	<b>25</b>	<b>17</b>	<b>19</b>
<b>b) Provide Financial controls</b>	<b>42</b>	<b>30</b>	<b>27</b>	<b>21</b>	<b>10</b>
<b>c) Managerial controls</b>	<b>36</b>	<b>32</b>	<b>27</b>	<b>19</b>	<b>16</b>
<b>d) Operational policies controls</b>	<b>41</b>	<b>29</b>	<b>24</b>	<b>21</b>	<b>15</b>
<b>e) Control information within the organization</b>	<b>39</b>	<b>34</b>	<b>27</b>	<b>18</b>	<b>12</b>
<b>f) Accounting Information and communication</b>	<b>45</b>	<b>33</b>	<b>28</b>	<b>15</b>	<b>9</b>
<b>g) Assessment of internal control framework</b>	<b>21</b>	<b>27</b>	<b>34</b>	<b>29</b>	<b>19</b>
<b>h) Methodical examination of business processes and connected controls</b>	<b>27</b>	<b>33</b>	<b>30</b>	<b>21</b>	<b>19</b>
<b>i) Provision of independent verification of a sufficient sample of transactions to ensure integrity of the decision making process</b>	<b>42</b>	<b>31</b>	<b>27</b>	<b>17</b>	<b>13</b>

<b>j) Ongoing and independent reconciliation of all balances</b>	<b>20</b>	<b>29</b>	<b>35</b>	<b>25</b>	<b>21</b>
<b>Totals</b>	351	309	284	203	153
<b>Mean</b>					260
<b>Variance</b>					5,191.20
<b>Standard Deviation</b>					72.05

The mean for the overall distribution of the internal controls and internal audit function shows that the mean was 260 meaning that it falls within the very effective category. The variance of the distribution for the risk management and relationship with internal audit function was 5,191.20 while the standard deviation was 72.05 respondents.

The conclusions reached are that the majority of the respondents believe that the internal audit function was very effective in enhancing internal controls within their entities. Thus there is need for the function within organisations.

## INTERNAL AUDIT AND COMPLIANCE

### 4.27 Internal audit and provision of effective systems for managing and accounting for physical and financial assets

**Table 4.28: Provides effective systems for managing and accounting for physical and financial assets**

		Frequency	Percent	Valid Percent	Cumulative Percent
<b>Valid</b>	Very effective	32	23%	25%	25%
	Effective	28	20%	22%	46%
	Uncertain	35	25%	27%	73%
	Slightly Effective	23	16%	18%	91%
	In effective	12	9%	9%	100%
	Total	130	93%	100%	
<b>Missing</b>	System	10	7%		
<b>Total</b>		140	100%		

32/130 representing 25% of the respondents indicated that the internal audit function was very effective in the provision of effective systems for managing and accounting for physical and financial assets assessing performance management within the entity. 28/130(22%) indicated that the function was effective while 35/130(27%) were uncertain on the effectiveness of the internal audit in the provision of effective systems for managing and accounting for physical and financial assets assessing performance management within the entity. 23/130(18%) were of the opinion that the function of internal audit was ineffective in the provision of effective systems for managing and accounting for physical and financial assets assessing performance management within the entity. The remainder of 12/130(9%) indicated that the internal audit function was very ineffective in the provision of effective systems for managing and accounting for physical and financial assets assessing performance management within the entity.

In total 60/130(46%) were in agreement to the effectiveness of the internal audit function in the provision of effective systems for managing and accounting for physical and financial assets assessing performance management within the entity. The remainder of 70/130(54%) of the respondents indicated that the internal audit was in the provision of effective systems for managing and accounting for physical and financial assets assessing performance management within the entity.

It can therefore be concluded based on the above analysis that less than 50% of the respondents were of the opinion that the internal audit function does not bring effectiveness in the provision of effective systems for managing and accounting for physical and financial assets assessing performance management within the entity. Therefore the internal audit does not play a very critical role in the provision of effective systems for managing and accounting for physical and financial assets assessing performance management within the entity.

**4.28 Internal audit and promoting accountability**

<b>Table 4.29: Promoting accountability</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
<b>Valid</b>	Very effective	41	29%	32%	32%
	Effective	32	23%	25%	56%

	Uncertain	21	15%	16%	72%
	Slightly Effective	19	14%	15%	87%
	In effective	17	12%	13%	100%
	Total	130	93%	100%	
<b>Missing</b>	System	10	7%		
<b>Total</b>		140	100%		

41/130 representing 32% of the respondents indicated that the internal audit function was very effective in promoting accountability. 32/130(25%) indicated that the function was effective while 21/130(16%) were uncertain on the effectiveness of the internal audit function in promoting accountability within the entity. 19/130(15%) were of the opinion that the function of internal audit was ineffective in promoting accountability. The remainder of 17/130(13%) indicated that the internal audit function was very ineffective in promoting accountability.

In total 73/130(56%) were in agreement to the effectiveness of the internal audit function in promoting accountability. The remainder of 67/130(44%) of the respondents indicated that the internal audit was ineffectiveness in promoting accountability.

It can therefore be concluded based on the above analysis that more than 50% of the respondents were of the opinion that the internal audit function does brings effectiveness in promoting accountability. Therefore the internal audit is plays a very critical role in promoting accountability.

**4.29 Internal audit and the ensuring of reliability and integrity of financial and operational information**

**Table 4.30: Ensure reliability and integrity of financial and operational information**

		Frequency	Percent	Valid Percent	Cumulative Percent
<b>Valid</b>	Very effective	39	28%	30%	30%
	Effective	19	14%	15%	45%
	Uncertain	22	16%	17%	62%
	Slightly Effective	23	16%	18%	79%
	In effective	27	19%	21%	100%

	Total	130	93%	100%	
<b>Missing</b>	System	10	7%		
<b>Total</b>		140	100%		

37/130 representing 28% of the respondents indicated that the internal audit function was very effective in ensuring reliability and integrity of financial and operational information within the entity. 33/130(25%) indicated that the function was effective while 23/130(18%) were uncertain on the effectiveness of the internal audit function in ensuring reliability and integrity of financial and operational information within the entity. 17/130(13%) were of the opinion that the function of internal audit was ineffective in ensuring reliability and integrity of financial and operational information within the entity. The remainder of 20/130(15%) indicated that the internal audit function was very ineffective in ensuring reliability and integrity of financial and operational information within the entity.

In total 70/130(54%) were in agreement to the effectiveness of the internal audit function in ensuring reliability and integrity of financial and operational information within the entity. The remainder of 60/130(46%) of the respondents indicated that the internal audit was ineffectiveness in ensuring reliability and integrity of financial and operational information within the entity.

It can therefore be concluded based on the above analysis that more than 50% of the respondents were of the opinion that the internal audit function does brings effectiveness in ensuring reliability and integrity of financial and operational information within the entity. Therefore the internal audit is plays a very critical role in ensuring reliability and integrity of financial and operational information within the entity.

**4.30 Internal audit as a source of information on major frauds and irregularities**

**Table 4.31: A source of information on major frauds and irregularities**

		Frequency	Percent	Valid Percent	Cumulative Percent
<b>Valid</b>	Very effective	17	12%	13%	13%
	Effective	29	21%	22%	35%
	Uncertain	31	22%	24%	59%
	Slightly Effective	26	19%	20%	79%

	In effective	27	19%	21%	100%
	Total	130	93%	100%	
<b>Missing</b>	System	10	7%		
<b>Total</b>		140	100%		

17/130 representing 13% of the respondents indicated that the internal audit function was very effective as a source of information on major frauds and irregularities. 29/130(22%) indicated that the function was effective while 31/130(24%) were uncertain on the effectiveness of the internal audit function as a source of information on major frauds and irregularities. 26/130(20%) were of the opinion that the function of internal audit was ineffective as a source of information on major frauds and irregularities. The remainder of 27/130(21%) indicated that the internal audit function was very ineffective as a source of information on major frauds and irregularities.

In total 46/130(35%) were in agreement to the effectiveness of the internal audit function as a source of information on major frauds and irregularities. The remainder of 82/130(65%) of the respondents indicated that the internal audit was as a source of information on major frauds and irregularities.

It can therefore be concluded based on the above analysis that less than 50% of the respondents were of the opinion that the internal audit function does brings effectiveness as a source of information on major frauds and irregularities within the entity. Therefore the internal audit’s role is very minimal role as a source of information on major frauds and irregularities.

**4.31 Internal audit and the reviews of operational and financial performance**

**Table 4.32: Reviews of operational and financial performance**

		Frequency	Percent	Valid Percent	Cumulative Percent
<b>Valid</b>	Very effective	42	30%	32%	32%
	Effective	33	24%	25%	58%
	Uncertain	24	17%	18%	76%
	Slightly Effective	19	14%	15%	91%
	In effective	12	9%	9%	100%
	Total	130	93%	100%	
<b>Missing</b>	System	10	7%		
<b>Total</b>		140	100%		

42/130 representing 32% of the respondents indicated that the internal audit function was very effective ensuring the reviews of operational and financial performance. 33/130(25%) indicated that the function was effective while 24/130(18%) were uncertain on the effectiveness of the internal audit function in ensuring the reviews of operational and financial performance. 19/130(15%) were of the opinion that the function of internal audit was ineffective in ensuring the reviews of operational and financial performance. The remainder of 12/130(9%) indicated that the internal audit function was very ineffective ensuring the reviews of operational and financial performance.

In total 75/130(58%) were in agreement to the effectiveness of the internal audit function ensuring the reviews of operational and financial performance. The remainder of 55/130(42%) of the respondents indicated that the internal audit was ineffectiveness ensuring the reviews of operational and financial performance.

It can therefore be concluded based on the above analysis that more than 50% of the respondents were of the opinion that the internal audit function does brings effectiveness ensuring the reviews of operational and financial performance. Therefore the internal audit is plays a very critical role ensuring the reviews of operational and financial performance within the entity.

#### **4.32 Internal audit and the need for suggestions for more helpful and competent use of resources**

<b>Table 4.33: Suggestions for more helpful and competent use of resources</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
<b>Valid</b>	Very effective	41	29%	32%	32%
	Effective	36	26%	28%	59%
	Uncertain	25	18%	19%	78%
	Slightly Effective	17	12%	13%	92%
	In effective	11	8%	8%	100%
	Total	130	93%	100%	
<b>Missing</b>	System	10	7%		
<b>Total</b>		140	100%		

41/130 representing 32% of the respondents indicated that the internal audit function was very effective for suggestions for more helpful and competent use of resources. 36/130(28%) indicated that the function was effective while 25/130(18%) were uncertain on the effectiveness of the internal audit function for suggestions for more helpful and competent use of resources. 17/130(12%) were of the opinion that the function of internal audit was ineffective in suggestions for more helpful and competent use of resources. The remainder of 11/130(8%) indicated that the internal audit function was very ineffective in suggestions for more helpful and competent use of resources

In total 77/130(59%) were in agreement to the effectiveness of the internal audit function in suggestions for more helpful and competent use of resources. The remainder of 53/130(41%) of the respondents indicated that the internal audit was ineffectiveness in suggestions for more helpful and competent use of resources.

It can therefore be concluded based on the above analysis that more than 50% of the respondents were of the opinion that the internal audit function does brings effectiveness in suggestions for more helpful and competent use of resources. Therefore the internal audit is plays a very critical role in suggestions for more helpful and competent use of resources.

#### **4.33 Internal audit and the need for appraisals of the achievement of corporate goals and objectives**

<b>Table 4.34: Appraisals of the achievement of corporate goals and objectives</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
<b>Valid</b>	Very effective	37	26%	28%	28%
	Effective	31	22%	24%	52%
	Uncertain	27	19%	21%	73%
	Slightly Effective	20	14%	15%	88%
	In effective	15	11%	12%	100%
	Total	130	93%	100%	
<b>Missing</b>	System	10	7%		
<b>Total</b>		140	100%		

37/130 representing 28% of the respondents indicated that the internal audit function was very effective helps in appraisals of the achievement of corporate goals and objectives. 31/130(24%) indicated that the function was effective while 27/130(21%) were uncertain on the effectiveness of the internal audit function helps in appraisals of the achievement of corporate goals and objectives within the entity. 20/130(15%) were of the opinion that the function of internal audit was ineffective helps in appraisals of the achievement of corporate goals and objectives. The remainder of 15/130(12%) indicated that the internal audit function was very ineffective helps in appraisals of the achievement of corporate goals and objectives.

In total 68/130(52%) were in agreement to the effectiveness of the internal audit function helps in appraisals of the achievement of corporate goals and objectives. The remainder of 62/130(48%) of the respondents indicated that the internal audit was ineffectiveness helps in appraisals of the achievement of corporate goals and objectives.

It can therefore be concluded based on the above analysis that more than 50% of the respondents were of the opinion that the internal audit function does brings effectiveness helps in appraisals of the achievement of corporate goals and objectives. Therefore the internal audit is plays a very critical role in helping appraisals of the achievement of corporate goals and objectives.

#### 4.34 Internal audit and compliance with laws, regulations, and contracts

**Table 4.35: Compliance with laws, regulations, and contracts**

		Frequency	Percent	Valid Percent	Cumulative Percent
<b>Valid</b>	Very effective	40	29%	31%	31%
	Effective	33	24%	25%	56%
	Uncertain	29	21%	22%	78%
	Slightly Effective	18	13%	14%	92%
	In effective	10	7%	8%	100%
	Total	130	93%	100%	
<b>Missing</b>	System	10	7%		
<b>Total</b>		140	100%		

37/130 representing 28% of the respondents indicated that the internal audit function was very effective in assessing compliance with laws, regulations, and contracts. 33/130(25%) indicated that the function was effective while 23/130(18%) were uncertain on the effectiveness of the internal audit function in assessing compliance with laws, regulations, and contracts within the entity. 17/130(13%) were of the opinion that the function of internal audit was ineffective in assessing compliance with laws, regulations, and contracts. The remainder of 20/130(15%) indicated that the internal audit function was very ineffective in assessing compliance with laws, regulations, and contracts.

In total 70/130(54%) were in agreement to the effectiveness of the internal audit function in assessing compliance with laws, regulations, and contracts. The remainder of 60/130(46%) of the respondents indicated that the internal audit was ineffectiveness in assessing compliance with laws, regulations, and contracts.

It can therefore be concluded based on the above analysis that more than 50% of the respondents were of the opinion that the internal audit function does brings effectiveness in assessing compliance with laws, regulations, and contracts. Therefore the internal audit is plays a very critical role in assessing compliance with laws, regulations, and contracts within the entity.

#### **4.35 Overall assessment of compliance and consulting**

Table 4.36: Overall Assessment of compliance and consulting

	5	4	3	2	1
<b>COMPLIANCE AND CONSULTING OVERALL</b>					
a) <b>Provides effective systems for managing and accounting for physical and financial assets</b>	<b>32</b>	<b>28</b>	<b>35</b>	<b>23</b>	<b>12</b>
b) <b>Promoting accountability Providing information about any fraudulent activities or irregularities</b>	<b>41</b>	<b>32</b>	<b>21</b>	<b>19</b>	<b>17</b>
c) <b>Ensure reliability and integrity of financial and operational information</b>	<b>39</b>	<b>19</b>	<b>22</b>	<b>23</b>	<b>27</b>
d) <b>A source of information on major frauds and irregularities</b>	<b>17</b>	<b>29</b>	<b>31</b>	<b>26</b>	<b>27</b>
f) <b>Reviews of operational and financial performance</b>	<b>42</b>	<b>33</b>	<b>24</b>	<b>19</b>	<b>12</b>

<b>g) Suggestions for more helpful and competent use of resources</b>	<b>41</b>	<b>36</b>	<b>25</b>	<b>17</b>	<b>11</b>
<b>h) Appraisals of the achievement of corporate goals and objectives</b>	<b>37</b>	<b>31</b>	<b>27</b>	<b>20</b>	<b>15</b>
<b>i) Compliance with laws, regulations, and contracts</b>	<b>40</b>	<b>33</b>	<b>29</b>	<b>18</b>	<b>10</b>
<b>Totals</b>	289	241	214	165	131
<b>Mean</b>					208
<b>Variance</b>					3092.8
<b>Standard Deviation</b>					62.18

The mean for the overall distribution of the risk management and internal audit function shows that the mean was 208 meaning that it falls within the very effective class of responses. The variance of the distribution for the risk management and relationship with internal audit function was 3,092.8 while the standard deviation was 62.18 of the respondents.

The conclusions reached are that the majority of the respondents believe that the internal audit function was very effective in assessing compliance with laws, regulations, and contracts within their entities. Thus there is need for the function within organisations.

## **INTERNAL AUDIT AND REPORTING OF FINANCIAL STATEMENTS**

### **4.36 Internal Audit and discipline in reporting**

<b>Table 4.37: Discipline</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
<b>Valid</b>	Greatly Improved	45	32%	35%	35%
	Improved	28	20%	22%	56%
	Constant	22	16%	17%	73%
	Decreasing	19	14%	15%	88%
	Greatly decreased	16	11%	12%	100%
	Total	130	93%	100%	
<b>Missing</b>	System	10	7%		
<b>Total</b>		140	100%		

45/130 representing 35% of the respondents indicated that the internal audit function has greatly improved discipline in financial reporting within the entity. 28/130(22%) indicated that the function has improved discipline in financial reporting within the firm while 22/130(17%) were uncertain on the effects of the internal audit in providing discipline in financial reporting within the entity. 19/130(15%) were of the opinion that the function of internal audit has actually decreased the effect of ensuring discipline in financial reporting within the entity. The remainder of 16/130(12%) indicated that the internal audit function greatly decreased discipline in financial reporting within the entity

In total 73/130(54%) were in agreement to the effect of the internal audit function in ensuring discipline in financial reporting within the entity. The remainder of 60/130(46%) of the respondents indicated that the internal audit has generally decreased discipline in financial reporting within the entity.

It can therefore be concluded based on the above analysis that more than 50% of the respondents were of the opinion that the internal audit function has improved discipline in financial reporting within the entity. Therefore the internal audit is plays a very critical role in ensuring discipline in financial reporting within the entity.

#### 4.37 Internal Audit and transparency in reporting

		Frequency	Percent	Valid Percent	Cumulative Percent
<b>Valid</b>	Greatly Improved	42	30%	32%	32%
	Improved	39	28%	30%	62%
	Constant	31	22%	24%	86%
	Decreasing	18	13%	14%	100%
	Greatly decreased	0	0%	0%	100%
	Total	130	93%	100%	

<b>Missing</b>	System	10	7%		
<b>Total</b>		140	100%		

42/130 representing 32% of the respondents indicated that the internal audit function has greatly improved transparency in financial reporting within the entity. 39/130(30%) indicated that the function has improved transparency in financial reporting within the entity while 31/130(24%) were uncertain on the effects of the internal audit in providing transparency in financial reporting within the entity. 18/130(14%) were of the opinion that the function of internal audit has actually decreased the effect of ensuring transparency in financial reporting within the entity. The remainder of 0/130(0%) indicated that the internal audit function greatly decreased transparency in financial reporting.

In total 81/130(62%) were in agreement to the effect of the internal audit function in ensuring transparency in financial reporting within the entity. The remainder of 49/130(38%) of the respondents indicated that the internal audit has generally decreased transparency in financial reporting within the entity.

It can therefore be concluded based on the above analysis that more than 50% of the respondents were of the opinion that the internal audit function has improved transparency in financial reporting within the entity. Therefore the internal audit is plays a very critical role in ensuring transparency in financial reporting.

#### **4.38 Internal Audit and independence in reporting**

		Frequency	Percent	Valid Percent	Cumulative Percent
<b>Valid</b>	Greatly Improved	39	28%	30%	30%
	Improved	32	23%	25%	55%
	Constant	27	19%	21%	75%
	Decreasing	23	16%	18%	93%
	Greatly decreased	9	6%	7%	100%
	Total	130	93%	100%	
<b>Missing</b>	System	10	7%		

<b>Total</b>	140	100%		
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39/130 representing 30% of the respondents indicated that the internal audit function has greatly improved independence in financial reporting within the entity. 32/130(25%) indicated that the function has improved independence in financial reporting within the firm while 27/130(21%) were uncertain on the effects of the internal audit in providing independence in financial reporting within the entity. 23/130(18%) were of the opinion that the function of internal audit has actually decreased the effect of ensuring independence in financial reporting within the entity. The remainder of 9/130(7%) indicated that the internal audit function greatly decreased independence in financial reporting within the entity

In total 71/130(55%) were in agreement to the effect of the internal audit function in ensuring independence in financial reporting within the entity. The remainder of 69/130(45%) of the respondents indicated that the internal audit has generally decreased independence in financial reporting within the entity.

It can therefore be concluded based on the above analysis that more than 50% of the respondents were of the opinion that the internal audit function has improved independence in financial reporting within the entity. Therefore the internal audit is plays a very critical role in ensuring independence in financial reporting within the entity.

#### 4.39 Internal Audit and accountability in reporting

		Frequency	Percent	Valid Percent	Cumulative Percent
<b>Valid</b>	Greatly Improved	41	29%	32%	32%
	Improved	33	24%	25%	57%
	Constant	29	21%	22%	79%
	Decreasing	17	12%	13%	92%
	Greatly decreased	10	7%	8%	100%
	Total	130	93%	100%	
<b>Missing</b>	System	10	7%		
<b>Total</b>		140	100%		

41/130 representing 32% of the respondents indicated that the internal audit function has greatly improved accountability in financial reporting within the entity. 33/130(25%) indicated that the function has improved accountability in financial reporting within the firm while 29/130(22%) were uncertain on the effects of the internal audit in providing accountability in financial reporting within the entity. 17/130(13%) were of the opinion that the function of internal audit has actually decreased the effect of ensuring accountability discipline in financial reporting within the entity. The remainder of 10/130(8%) indicated that the internal audit function greatly decreased accountability in financial reporting within the entity

In total 74/130(57%) were in agreement to the effect of the internal audit function in ensuring accountability in financial reporting within the entity. The remainder of 60/130(46%) of the respondents indicated that the internal audit has generally decreased accountability in financial reporting within the entity.

It can therefore be concluded based on the above analysis that more than 50% of the respondents were of the opinion that the internal audit function has improved accountability in financial reporting within the entity. Therefore the internal audit is plays a very critical role in ensuring accountability in financial reporting within the entity.

#### 4.40 Internal Audit and responsibility in reporting

		Frequency	Percent	Valid Percent	Cumulative Percent
<b>Valid</b>	Greatly Improved	41	29%	32%	32%
	Improved	30	21%	23%	55%
	Constant	25	18%	19%	74%
	Decreasing	21	15%	16%	90%
	Greatly decreased	13	9%	10%	100%
	Total	130	93%	100%	
<b>Missing</b>	System	10	7%		
<b>Total</b>		140	100%		

41/130 representing 32% of the respondents indicated that the internal audit function has greatly improved responsibility in financial reporting within the entity. 30/130(23%) indicated that the function has improved responsibility in financial reporting within the firm while 25/130(19%) were uncertain on the effects of the internal audit in providing responsibility in financial reporting within the entity. 21/130(16%) were of the opinion that the function of internal audit has actually decreased the effect of ensuring responsibility in financial reporting within the entity. The remainder of 13/130(10%) indicated that the internal audit function greatly decreased responsibility in financial reporting within the entity

In total 71/130(55%) were in agreement to the effect of the internal audit function in ensuring responsibility in financial reporting within the entity. The remainder of 69/130(45%) of the respondents indicated that the internal audit has generally decreased responsibility in financial reporting within the entity.

It can therefore be concluded based on the above analysis that more than 50% of the respondents were of the opinion that the internal audit function has improved responsibility in financial reporting within the entity. Therefore the internal audit is plays a very critical role in ensuring responsibility e in financial reporting within the entity.

#### 4.41 Internal Audit and Fairness in reporting

<b>Table 4.42: Fairness</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
<b>Valid</b>	Greatly Improved	35	25%	27%	27%
	Improved	29	21%	22%	49%
	Constant	27	19%	21%	70%
	Decreasing	21	15%	16%	86%
	Greatly decreased	18	13%	14%	100%
	Total	130	93%	100%	
<b>Missing</b>	System	10	7%		
<b>Total</b>		140	100%		

41/130 representing 32% of the respondents indicated that the internal audit function has greatly improved fairness in financial reporting within the entity. 30/130(23%) indicated that the function has improved fairness in financial reporting within the firm while 25/130(19%) were uncertain on the effects of the internal audit in providing fairness in financial reporting within the entity. 21/130(16%) were of the opinion that the function of internal audit has actually decreased the effect of ensuring fairness in financial reporting within the entity. The remainder of 13/130(10%) indicated that the internal audit function greatly decreased fairness in financial reporting within the entity

In total 71/130(55%) were in agreement to the effect of the internal audit function in ensuring fairness in financial reporting within the entity. The remainder of 69/130(45%) of the respondents indicated that the internal audit has generally decreased fairness in financial reporting within the entity.

It can therefore be concluded based on the above analysis that more than 50% of the respondents were of the opinion that the internal audit function has improved fairness in financial reporting within the entity. Therefore the internal audit is plays a very critical role in ensuring fairness in financial reporting within the entity

#### 4.42 Internal Audit and reporting of social responsibility

**Table 4.16: Social responsibility**

		Frequency	Percent	Valid Percent	Cumulative Percent
<b>Valid</b>	Greatly Improved	37	26%	28%	28%
	Improved	31	22%	24%	52%
	Constant	27	19%	21%	73%
	Decreasing	20	14%	15%	88%
	Greatly decreased	15	11%	12%	100%
	Total	130	93%	100%	
<b>Missing</b>	System	10	7%		
<b>Total</b>		140	100%		

45/130 representing 35% of the respondents indicated that the internal audit function has greatly improved social responsibility in financial reporting within the entity. 28/130(22%) indicated that the function has improved social responsibility in financial reporting within the firm while 22/130(17%) were uncertain on the effects of the internal audit in providing social responsibility in financial reporting within the entity. 19/130(15%) were of the opinion that the function of internal audit has actually decreased the effect of ensuring social responsibility in financial reporting within the entity. The remainder of 16/130(12%) indicated that the internal audit function greatly decreased social responsibility in financial reporting within the entity

In total 73/130(54%) were in agreement to the effect of the internal audit function in ensuring social responsibility in financial reporting within the entity. The remainder of 60/130(46%) of the respondents indicated that the internal audit has generally decreased social responsibility in financial reporting within the entity.

It can therefore be concluded based on the above analysis that more than 50% of the respondents were of the opinion that the internal audit function has improved social responsibility in financial reporting within the entity. Therefore the internal audit is plays a very critical role in ensuring social responsibility in financial reporting within the entity.

#### 4.43 Overall Assessment of Reporting

Table 4.44: Overall assessment of reporting

Statement	Greatly Improved (5)	Improved (4)	Constant (3)	Decreasing (2)	Greatly decreased (1)
<b>Reporting</b>					
a) <b>Discipline</b>	45	28	22	19	16
b) <b>Transparency</b>	42	39	31	18	0
c) <b>Independence</b>	39	32	27	23	9
d) <b>Accountability</b>	41	33	29	17	10
e) <b>Responsibility</b>	41	30	25	21	13
f) <b>Fairness</b>	35	29	27	21	18
g) <b>Social responsibility</b>	37	31	27	20	15

<b>Totals</b>	280	222	188	139	81
<b>Mean</b>					91
<b>Variance</b>					4658
<b>Standard deviation</b>					76.31

The mean for the overall distribution of the risk management and internal audit function shows that the mean was 81 meaning that it falls within the uncertain category. The variance of the distribution for the risk management and relationship with internal audit function was 4,658 while the standard deviation was 76.31 respondents.

The conclusions reached are that the majority of the respondents believe that the internal audit function was very effective in enhancing the risk management process within their entities. Thus there is need for the function within organisations.

**4.44 Chapter summary**

The chapter analysed the data that was obtained from the questionnaires that were administered and some conclusions have been made based on that data. The next Chapter provides the findings, conclusions and recommendations for policy intervention

## **CHAPTER 5:**

### **CONCLUSIONS, FINDINGS AND RECOMMENDATIONS**

#### **5.0 Introduction**

The chapter provides the findings, conclusions and recommendations which were derived from the analysis that have been carried out in the previous chapter together with the literature reviewed and the background information in chapter 1.

#### **5.1 Chapter summaries**

In chapter 1 the researcher provided the background to the study which highlighted that the audited financial statements provides credibility to the users. In the same manner, the internal audit function within the public sector in particular in SOEs needs to complement the work of the external audit in the determination of the effectiveness of the systems of internal controls. Corruption and other ills, such as falsification of financial statements, bribery and deliberate non-disclosures of certain transactions, continue to be reported within spheres of the economy, be it in the developed countries or in the developing countries like Zimbabwe. As a result a lot of funds have been lost and firms have folded or are left at near demise as a result of these ills. A number of public entities in Zimbabwe had been in the news for corrupt activities including awarding of huge salaries among their leaders, including PSMAS, ZBC, NRZ and GMB to mention but a few.

Chapter 2 reviewed literature from other authors and scholars on the issues to do with internal audit independence, internal audit team skills and composition and the internal audit members' professional advancements as they relate to corporate governance compliance. There are a conflicting views as a results and these are the gaps that the researcher would want to fill.

The chapter 3 emphasized on the research methodology which was premised on research philosophy, research design, sampling, data collection methods and data presentation. The

population was derived from the SOEs. Reliability, validity and ethical consideration were also proffered in this chapter. The chapter also covered the procedures to be employed in collection of data. Primary data will be collected through questionnaire and secondary data will be obtained from company reports and published articles. Conclusively, the research methodology will be a formal study with an orientation towards quantitative techniques on measuring responses to questionnaires. The following chapter will cover the presentation and analysis of the data collected through methodology of this chapter

The chapter analysed the data that was obtained from the questionnaires that were administered and some conclusions have been made based on that data.

The chapter summaries, the findings and the recommendations have been highlighted in this chapter. Furthermore it also gave the recommendations and the implication bringing the area of further study.

## **5.2 Findings**

The following were the findings obtained by the researcher:-

- The conclusions reached are that internal audit function was very effective in enhancing the risk management process within their entities.
- The internal control system has a positive relationship with governance in that it enables compliance to ethics and helps management achieve ethical matters,
- The internal audit function is a key component of the management tools in enhancing accountability and transparency in financial reporting through the compliance to laws, regulations and operating standards

## **5.3 Recommendations**

The recommendations drawn are that can be drawn from the above findings are that:-

- There is need to strengthen the internal audit functions within the SOEs sector in Zimbabwe in order to ensure corporate governance compliance

- In order for the SOEs to achieve reporting transparency and accountability, there is need to ensure more independence of the internal audit function.
- Corporate governance codes need to be highly publicized in order to reach a wide spectrum of the SOEs management and Boards.

#### **5.4 Suggestion for further study**

The researcher only focused on the SOEs sector in Zimbabwe with a selection of two-thirds of the SOEs only and that limits the scope of the study. There is need therefore for a further study encompassing both the behaviors of the private sector entities and their counterparts in the public sector.

#### **5.5 Chapter summary**

The chapter summaries, the findings and the recommendations have been highlighted in this chapter.

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**APPENDIX I**  
**Questionnaire Cover Letter**

Midlands State University  
Bag 9055  
Gweru  
Telephone +263 54 227 411

30 March 2018

**RE: Request to collect data through questionnaire**

I am a final year student at Midlands State University, pursuing a Master of Commerce Accounting Degree. In Partial fulfillment of the programme, it is a prerequisite to carry out a research project.

My research topic is entitled “**IMPACT OF INTERNAL AUDITING FUNCTION ON GOOD CORPORATE GOVERNANCE IN ZIMBABWE’S PUBLIC SECTOR (2012-2016)**”

I hereby request that you spare a moment of your valuable time to respond to the questions in the questionnaire provided. May you please kindly assist by providing relevant information to this research study. In answering this questionnaire, there are no correct or wrong numbers, it is only your factual response that matters. Information gathered through this process shall be used for academic purposes and will be treated with utmost confidence and privacy. For further clarity you may contact the University using the above numbers.

Your cooperation will be greatly appreciated,

Yours faithfully

**Kudzai Zhanje (R1215J)**



<b>RISK MANAGEMENT</b>					
a) Risk Identification					
b) Risk Assessment					
c) Risk Mitigation					
d) Risk Monitoring					
e) Suggest risk management strategies					
f) Provide assurance that the risks are being appropriately managed					
g) Assess ethics and values within the organization,					
h) Assess performance management					
i) Assess communication of risk					
j) Unplanned and informal reviews of other areas of concern, including unacceptable levels of risk					

7 How effective are the following functions of internal audit on internal controls in promoting good governance in your entity? Use a scale of 1-5 where

5= very effective, 4= effective, 3 = moderately effective, 2= slightly effective and 1= ineffective

<b>Statement</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
<b>INTERNAL CONTROLS</b>					
a) Reviews of individual systems and processes					
b) Provide Financial controls					
c) Managerial controls					
d) Operational policies controls					
e) Control information within the organization					
f) Accounting Information and communication					
g) Assessment of internal control framework					
h) Methodical examination of business processes and connected controls					

i) Provision of independent verification of a sufficient sample of transactions to ensure integrity of the decision making process					
j) Ongoing and independent reconciliation of all balances					

8 How effective are the following functions of internal audit on compliance and consulting in promoting good governance in your entity? Use a scale of 1-5 where

5= very effective, 4= effective, 3 = moderately effective, 2= slightly effective and 1= ineffective

	5	4	3	2	1
<b>COMPLIANCE AND CONSULTING</b>					
a) Provides effective systems for managing and accounting for physical and financial assets					
b) Promoting accountability Providing information about any fraudulent activities or irregularities					
c) Ensure effectiveness and efficiency of operations Ensure reliability and integrity of financial and operational information					
d) A source of information on major frauds and irregularities					
e) Reviews of the agreement framework and specific compliance issues					
f) Reviews of operational and financial performance					
g) Suggestions for more helpful and competent use of resources					
h) Appraisals of the achievement of corporate goals and objectives					
i) Compliance with laws, regulations, and contracts					

9 How would you rate the following attributes of corporate governance in your ministry in the last five years?

<b>Statement</b>	Greatly Improved (5)	Improved (4)	Constant (3)	Decreasing (2)	Greatly decreased (1)
<b>a) Discipline</b>					
<b>b) Transparency</b>					
<b>c) Independence</b>					
<b>d) Accountability</b>					
<b>e) Responsibility</b>					
<b>f) Fairness</b>					
<b>g) Social responsibility</b>					

***THANK YOU FOR YOUR COOPERATION***