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MASTER OF BUSINESS ADMINISTRATION**

**AN EVALUATION OF EFFECTIVENESS OF INTERNAL AUDIT IN PUBLIC  
SECTOR: A CASE OF ZETDC**

**BY**

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# GSM MBA DISSERTATION

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## **DEDICATION**

Special dedication to my late mother Mrs. Martha Chihowa ,my daughters Mutsawashe and Sharon Musonza and also to my three sons Trevor ,Shepherd Junior and Reign Musonza

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## ABSTRACT

The study sought to evaluate the effectiveness of Internal Audit in Public Sector: a Case of ZETDC Company. The study was prompted by the importance of Parastatals 'contribution to national vision visa viz to various ineffective management systems, mismanagement of funds and non- adherence to statutes. To inform the study, related literature such as Internal Audit's effectiveness and factors affecting them was reviewed. Using positivism philosophy and descriptive research design, the study collected data using quantitative methods. A sample of 393 respndants was drawn from a population of 550 employees from ZETDC workforce under Finance, Audit and risk Management Department National wide. 393 questionnaires were administered using a stratified simple random sampling method. 349 out of 393 respondents questionnaires were fully completed to give a response rate of 89%. Collected data was presented and analysed in statistic form using SPSS package version 20. The study countered resistance in getting access to information, however, further explanation was done. The study concluded that There is a proper legal framework guiding all Internal Audit procedure at ZETDC. There is a policy document articulating the scope, objectives and officer's responsibilities Internal Audit function. However, the precepts of Internal Audit are not being followed though there is a good policy. There is lack of proper attitude of Internal Audit function staff though they seem to be technically competent. There is lack of professional independence and activity independence of the function of Internal Audit. There are many challenges in internal audit function which includes, lack of Management support, incongruous reporting structure, lack of physical and financial resources, social discriminatory and intimidation of functional staff among others. The ZETDC has some weaknesses in its system which impact negatively to Internal Audit function staff which include; inadequate compensation of the Audit staff and direct attacks of the personnel by the auditees. The study recommends the supporting and motivation of the Internal Audit function by top management. The benchmarking of best practices from other Parastatals. Capacity development for both managers and employees aiming at changing attitude and culture. For further studies, a qualitative design on how audit over dependency affects organisational performance in SEPs of Zimbabwe should be conducted. **Key words:** Internal Audit Function, Internal Audit Effectiveness, Internal Control System.

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## **LIST OF ABBREVIATIONS**

IAE	Internal Audit Effectiveness
IAF	Internal Audit Function
SPSS	Statistical Package for Social Sciences
ZESA	Zimbabwe Electricity Supply Authority
ZETDC	Zimbabwe Electricity Transmission Distribution Company
ZBC	Zimbabwe Broadcast Corporation
CEO	Chief Executive Officer
CMED	Central Mechanical Equipment Department
ZPC	Zimbabwe Power Company
SD	Standard Deviation
M	Mean
IPPF	International Professional Practice Framework

## **CHAPTER 1: INTRODUCTION AND BACKGROUND**

### **1:0 Introduction**

Internal Audit is an important part of the of internal control system . The function is carried out within an Organization with its main objective to increase the value of the organization and improve its operations (Vokshi, 2015). (Onoja, 2013) , noted that Internal Audit has increased being crucial in Public sector due to increasing magnitude and its crutuality. In rececnt years internal audit was the principal factor used to measure quality control in the public sector. Its development has made a valuable benefecation to the public sector management (Unegbu & Kida, 2011). In Zimbabwe context, effective internal audit in Public Sector will assist this Country to achieve Vision 2030 which outlines the objective to transform Zimbabwe into an upper-middle income economy by the end of the next decade. Public Institutions are the enablers of the economy (Chorasa, 2012).

In view of the what has been mentioned earlier, this study sought to evaluate the effectiveness of the Internal Audit function in Zimbabwe Parastatals taking a Case Study of ZETDC; and this chapter presents and justifies the need to conduct the study. Specifically, it presents the background of the study and problem statement. The chapter goes on to present the objectives of the study, the research question, the hypothesis, scope of the research as well as the significance of the study. Key terms that were employed in the study have been defined contextually. The Chapter ends with the dissertation structure and the Chapter Summary.

### **1:1 Background to Study**

Zimbabwe is a developing nation with Parastatals playing an important role, as enablers in service delivery in support of economic growth among other Institutions. Since independence Government bestowed the developmental mandate to various State Enterprises and Parastatals and entrusted upon them the primary role of promoting growth with equity especially with regards to the previously marginalized sectors, ethnic groups and regions of the country. Government assumed

the facilitative role in the provision of key infrastructure and utilities such as roads, rail and air transport, telecommunication, electricity and water through State Enterprises and Parastatals (Office of the President and Cabinet, 2014).

Parastatals set the economic agenda for the nation. This implies that a robust system of internal checks needs to be put in place to provide assurances that government funds are used for the intended purposes. Good Internal Audit function would ensure improved service delivery of the basic human needs for which Government is accountable to the people of Zimbabwe, and at the same time minimize risks associated with unacceptable human behaviour. Corporate crime, as an example of these risks, has been a disease the world over which thrives in environments characterized by weak Internal Audit function (Office of the President and Cabinet, 2014). In the absence of effective internal audit, individuals with questionable character may exploit inherent loopholes to their advantage.

### **1.1.1 Parastatals and State Owned Enterprises mismanagement of funds**

The need for Internal Audit within the Government entities is underscored by noted irregularities within the county government expenditure. There have been several noted cases of misuse of Public Funds in Government entities including Parastatals and the lack of adherence to set procedures in the usage of the Public Funds. Zimbabwe was one of the Counties that have been mentioned to have misappropriation of Public Funds (Ariga & Gathogo, 2016).

In September 2010 Zimbabwe Electricity Transmission Distribution Company (ZETDC) lost over US \$3 million to two workers of a Spanish computer firm which it had contracted to develop new computer systems and render technical assistance in its billing (Farawo, 2010). The two would enter false amounts into the system on the pretext that a customer has paid up when in actual fact they would have intercepted through collusion with some ZETDC staff the payment by the customers and converted it to their own use. The money was supposed to be paid to the company but the two allegedly concealed the offence by reducing amounts of the bills in the system to zero using an unauthorized Harare BATCH, as a financial programme in the national server. ZETDC

suffered an actual prejudice in the sum of US\$3,635,927.59 and nothing was recovered (Chorasa, 2012).

The Herald of the 29<sup>th</sup> of January 2014 published an article where the suspended Chief Executive Officer (CEO) of the Zimbabwe Broadcasting Company(ZBC) other three Senior Management were involved in a multinational dollar dipping housing scandal. The four set up a housing scheme with mortgage guarantees from CBZ building society supported by 1,3 million dollars deposited by ZBC in an Investment account lacking an authorization of the board. In an article in the Herald of 13 February 2014 the CEO of ZBC was involved in a fraudulent case in connivance with the Instrimpex officials. He allegedly overstated the purchase of radio outside broadcasting. The original price was \$100 000 and was overstated to \$1 050 000, the difference being shared between the 2 parties (Takavingofa, 2017).

According to New Zimbabwe Independent of 4 November 2010 five officials from the (Alao, 2018) (ZMDC) were arrested over an alleged \$2 million on allegation of theft. The allegations arose following a failed investment by South African diamond firm into a diamond mining project in Marange diamond fields. In an article in the Herald dated 10 April 2015 an Air Zimbabwe executive was convicted for a planned and executed fraudulent transaction in conjunction with the former Air Zimbabwe CEO. The executive bled 10 million in a fraudulent Aviation Insurance deal that favored Navistar Insurance brokers (Takavingofa, 2017). The table below shows some of the statistics of fraudulent cases made by Parastatals

According to New Zimbabwe Independent of 4 November 2010 five officials from The parastatal called Zimbabwe Mining Development Corporation (ZMDC) were involved in the alleged \$2 million fraud. The allegations arose following a failed investment by South African diamond firm into a diamond mining project in Marange diamond fields. An article written in the Herald dated 10 April 2015 an Air Zimbabwe executive was convicted for a planned and executed fraudulent transaction in conjunction with the former Air Zimbabwe CEO. The executive bled 10 million in a fraudulent Aviation Insurance deal that favored Navistar Insurance brokers (Takavingofa, 2017). The table below shows some of the statistics of fraudulent cases made by Parastatals

*Table 1:1 Statistics of fraudulent cases*

<b>Year</b>	<b>Parastatal</b>	<b>Amount US\$</b>
2013	ZBC	900 000
2014	ZESA Holdings ZINARA ZBC ZIMRA CMED	6 000 000 2015 650 1300 000 1000 000 3 000 000
2015	Control Vehicle Registry Air Zimbabwe	16 500 000 10 000 000
2016	ZPC ZESA	5 000 000 500 000 000
2017	ZESA Air Zimbabwe ZETDC	600 000 3 700 000 56 000
2018	ZESA	4 900 000

**Source Annual Corruption report (2013-2019)**

The above statistics shows the carelessness exhibited by Zimbabwe Parastatals and State Owned Enterprises and this necessitate a critical need for an effective Internal Audit function.

**1.1.2 The Internal Audit Function in Parastatals**

(Faudziah Hanim Fadzil, 2005) was cited by a number of reseachers after 2005. The central (Sharifah Nazatul Faiza Syed Mustpha Naz, 2019) and main aim of the Internal Audit is offering assistance to Managers to discharge their ' effectively through (Faudziah Hanim Fadzil, 2005) 'helping them to analyze, appraise, recommends and provide counsel to activities of the Organisazation' (Tapiwa, 2013). There are four major benefits that the management gains according to (Latifah Algabry, 2020) from an effective Internal Audit function including the provision of a basis for judgement and action, exposing of the problems in internal control , proposing recommendations to Managers , giving them advise and Boards of Directors .providing



information that is appropriately and efficiently to Managers (Faudziah Hanim Fadzil, 2005) as cited by (Nteziryayo, 2014)

There are other functions that the Internal Audit should perform for the Organization to achieving its objectives. According to (Faudziah Hanim Fadzil, 2005) as cited by (Van Staden & Steyn, 2009) the Internal Auditors should be in a position to critically analyze and evaluate the adequacy of the accounting, financial, and operating controls, and improve controls at minimum costs. The internal control function should also determine ability to accommodate policies, procedures, rules and regulation, which could impact greatly on the Company's performance' (Ongeri et al, 2005). (Faudziah Hanim Fadzil, 2005) as cited by Sakalunda (2014) also note that the Internal Auditors also assist in establishing existence of Company assets, their security and ensure minimum resources being employed. Lastly, the Internal Auditors ensures Organization work Plans are in line with Objectives and results are consistent with established objectives and goals (Onyango, 2014). Given the function of the internal Audit, the question that may remain unanswered is the effectiveness of the current Internal Audit Department in Zimbabwe Parastatals.

There are other functions that the Internal Audit should perform for the organization to achieving its objectives. (Faudziah Hanim Fadzil, 2005) went on to say the Internal Auditors should assess competence of the accounting, financial operating controls, and promote better controls at low costs. This was cited by (Van Staden & Steyn, 2009). The internal control function should be able to assess compliance with laid down policies and procedures, that could impact on the company's performance (Ongeri et al, 2005). Sakalunda (2014) mention that internal Audit is used as a means of safeguarding Company's assets by verifying existence and notifying Management and ensuring efficient use of those resources. Lastly, the internal auditors assess the Organization programs and ensure that results match the objectives, goals and ensure operations be carried out as planned. (Onyango, 2014). Given the function of the internal Audit, the question that may remain unanswered is the effectiveness of the current Internal Audit function in Zimbabwe Parastatals.

### **1.1.3 Overview of ZETDC**

Zimbabwe Electricity Transmission and Distribution Company (ZETDC), belongs to a diversified group of companies whose core business is electricity generation, transmission and distribution in Zimbabwe. The Electricity Amendment Act Number 3 of 2003 provided for the setting up of a company to hold shares of the state in the successor companies of the Zimbabwe Electricity Supply Authority which company was registered under the Companies Act [ Chapter 24:03] as ZESA Holdings (Private) Limited. The successor companies that comprise the ZESA Holdings Group of companies are Zimbabwe Power Company (ZPC), Zimbabwe Electricity Transmission and Distribution Company (ZETDC), ZESA Enterprises and Powertel Communications. Each of the successor companies is incorporated under the Companies Act (Chapter 24:03) and has its own Board of Directors appointed by ZESA Holdings (Private) Limited as the Shareholder. (Zhang., 2014) System Operations - Bulk Power Purchases and, System Planning for Long Term Capacity. ZETDC has its Head Office in Harare and Five regional offices in Harare (Harare Region), Bulawayo (Western Region), Mutare (Eastern Region), Gweru (Southern Region) and Chinhoyi (Northern Region). Each Regional office has several district offices spread throughout the region stationed in city Centre's.

#### **1.1.3.1 Core Business**

Zimbabwe Electricity Transmission and Distribution Company (ZETDC) is mandated in terms of the Electricity Act (Cap 13:09), to carry out the following activities which are also outlined in its 2016 Annual report; i) Transmission and Distribution Infrastructure maintenance and Development; ii) Electrical power system operations; iii) Electricity Trading; iv) Power System Planning; and v) Regional Cooperation.

#### **1.1.3.2 Strategic Planning**

ZETDC adopted strategic planning as a tool for directing and controlling its business operations. Consequently, the company produced a 5-year Corporate Business Plan (2020-2025) that spells out the organization's vision and mission statements, the organisation's strategic goals as well as the accompanying action plans to meet the stated goals (ZETDC, 2019). Below is a summary of the strategic plan.

### **1.1.3.3 ZETDC's Corporate Vision, Mission, Values and Core competence**

**Vision-** To be the preferred provider of electricity regionally and related services globally.

**Mission-** To bring convenience to our valued customers through the provision of adequate, safe, reliable electricity and related services at competitive prices.

**Values-** Teamwork, integrity, social responsibility, customer focus and innovation.

**Critical Success factors-** Sound financial base, customer service quality, plant availability and staff competence.

**Core Competencies-** The core competencies required in order to achieve the vision are strong technical skills, sound financial management skills; professionalism, strong management skills, and entrepreneurial skills.

### **1.1.3.4 Organizational Structure**

ZETDC is headed by a Managing Director who reports to the Group chief executive officer at ZESA Holdings. There is also a board of directors at ZETDC the majority of whom are Non-Executive independent Directors. The ZETDC Managing Director heads an executive committee comprising the finance director, the commercial director, the transmission services director, all at head office, and five regional general managers for Harare, Western, Southern, Eastern and Northern Regions. The regional Manager's oversee power distribution and revenue collection in each of the regional Centre's in Zimbabwe through various district offices in their regions. An Internal Audit unit at ZESA Holdings monitors the activities at ZETDC through regular Internal Audits of all ZETDC Centre's and reports directly to the board audit committee. Each District is headed by a Network Manager responsible for the supply of power and maintenance of the distribution networks and a sales manager responsible for power sales and revenue collections.

### **1.1.3.5 Financial Performance**

A review of the scrutiny of the ZETDC Audited Financial Statements for the year ended December 2019 revealed the following highlights;

- The company recorded a net loss of zwl 0.92 billion in 2019. This was a 60% decrease from 2018 loss position of ZWL 2,34 billion .
- Revenue of zwl 6.5 billion from 7,711 GWh (gigawatt hour) was recorded in 2019 This was a 8.5 % and 9 % decrease in revenue amd units of power sold respectively in 2018.

- Power imports totaled zwl 2,265 billion for 1,784 GWh of imported power above 2018 of 1,629.3 GWh Power imports decrease by 132% in monetary value from zwl 0.97 billion while they also decrease 9.52% in unit's terms.
- The total electricity debtors decreased by 60% to zwl 2,744.3 million in 2019 from zwl 7,036.0 million in 2018.
- Total loans amounted to zwl 4,302 billion by 98 % from zwl 2,169 billion in 2018.

#### **1.1.3.5.1 Ratio Analysis**

##### **Profitability Ratios**

- Return on sales recorded a negative -14.5%. This means that sales were generating a negative return in that from every dollar of sales, 14.5 cents were lost. In 2018 return on sales were -34.3%
- Return on total assets was at -29.3%. The assets were not getting a return for their use. The company was losing 29.3 cents on every dollar of the assets used.
- Return on capital employed was a negative -4.67%. An indication that 4.67 cents were lost from every \$1 invested into the Company.

##### **Liquidity Ratios**

- The current ratio was 0.35:1 The company can only meet 35 cents from every \$1 on its current obligations. This is a far outcry from the standard recommended ratio of 2 :1
- The quick ratio recorded 0.27:1. The liquid resources available to settle immediate obligations are only 34 cents for every dollar owing. The standard recommended ratio is 1:1
- Debtors collection period showed 107 days. The company is taking over a year to collect money from its revenue. It is effectively funding other entities at the expense of its own cash flows.

##### **Debt Management Ratio**

- Debt to equity ratio decreased to 48% from 52% in 2018. The company is heavily funded by outsiders. These highlights reveal that ZETDC made a huge loss from its operations and is increasingly funding its debtors whilst borrowing heavily to keep operating. It is also

apparent that it cannot meet its current obligation. Its assets are under-utilised. This scenario puts the company's going concern perspective into questions.

#### **1.1.3.6 SWOT Analysis**

A SWOT analysis (Strength, Weaknesses, Opportunities and Threats) is a valuable tool to quickly analyse various aspects of the current state of the business process undergoing change. It is a framework for strategic planning, opportunity analysis, competitive analysis, business and product development (Brennan, 2009).

##### **Strengths**

- i. State owned – ZETDC is a government wholly owned state enterprise giving it a distinct advantage in the influence of policies that can safeguard its interest. Furthermore, it is able to utilise government guarantees to access offshore funding and also government is able to guarantee its going concern basis.
- ii. Huge capital base – The asset base of ZETDC covers the geographical spread of the entire country of Zimbabwe and even interlocks with neighbouring power utilities. This enables ZETDC to reach as many customers as possible with its national distribution grid. The nature and cost of the asset base are a barrier of entry to possible competitors.
- iii. Sole supplier – ZETDC currently enjoys a monopoly over the supply of power emanating from the historical legal set up. This therefore means that it currently has no competition except from fuel powered generators which serve as a substitute in the event of ZETDC failing to supply.

##### **Weaknesses**

- i. Aged infrastructure – The transmission and distribution assets were installed in the 1960's and are thus over 50 years old. This has consequently resulted in frequent breakdown leading to a high number of faults in power supply.
- ii. Poor Image – As a result of the frequent power outages due to asset breakdown and load shedding due to constrained supply, customers do not have confidence in ZETDC. This has also been compounded by the haphazard billing system, high power tariffs, poor workmanship on faults and selective credit control policies on 'political heavyweights' leaving the reputation of ZETDC in a battered state.

- iii. High Cost structure – The aged asset infrastructure which is also very huge, results in very high maintenance costs forcing ZETDC to operate at very high levels of costs thus eroding profit margins.
- iv. No incoming young employees due to government policy, Circular No.26 of 2012

### **Opportunities**

- i. Unfulfilled customer needs – Many customers remain without power due to ZETDC's inability to connect all potential customers leading to some customers illegally connecting themselves and thus existing outside of ZETDC's billing system.
- ii. New Technologies – Prepaid meters are being installed in place of the conventional meters. This will do away with estimated meter reading at the same time providing advance cash flows eliminating electricity debtors.
- iii. Privatisation – The possibility of ZETDC being privatised will give it the impetus to operate on a more sound commercial basis drawing upon investors to expand and maximise on revenue.

### **Threats**

- i. Controlled tariff – The power tariff is regulated through control by ZERA (Zimbabwe Energy Regulation Authority). This means that ZETDC has no total control over what it charges to the customer as this has to be determined through ZERA. It cannot literally share most of its cost with the customer.
- ii. Substitutes – The possibilities of gas found in Lupane being fully exploited can result in many customers substituting electricity for gas for a competitive price. Furthermore, subject to fuel prices declining, consumers can easily turn to generators in the event that electricity tariffs become uncompetitive.
- iii. Deregulation - The electricity industry is undergoing deregulation to allow other private players to enter the industry. This may bring in competition which ZETDC may be ill prepared to deal with.

### **1.1.3.7 PEST Analysis**

#### **Political and Legal Environment**

A new government, the new republic was formed in 2018 to restore policies. A recently enacted indigenisation and empowerment act which seeks to economically empower previously disadvantaged locals is under implementation. The energy sector is partially liberalised and is regulated by a statutory body the Zimbabwe Energy Regulation Authority (ZERA) which was set up in October 2011. These developments are likely to impact directly on the leadership and direction of ZETDC itself being a state enterprise. Government policies have a direct bearing on ZETDC being an essential utility service provider in terms of both tariff charges and the electricity supply environment.

#### **Socio –Economic Environment**

There is a prevailing stable economic environment in Zimbabwe buttressed by a steady economic growth which, according to the Minister of Finance, is focused to grow by 9.4% in 2015 as outlined in the 2012 National Budget Statement (Ministry of Finance Zimbabwe, 2015). Inflation was reported by Zimbabwe Statistical Agency (ZIMSTAT) at 4% on year on year whilst the monthly inflation was at 0.2% during the month of April 2012 (Zimstat, 2015). However, the country is experiencing a liquidity crunch with most banks struggling to get any cash let alone issue loans and government through the Reserve Bank of Zimbabwe adopted measures to improve the situation in February 2012 (Reserve Bank of Zimbabwe, 2015). There are currently no official statistics for the unemployment rate but experts have estimated it to be at 95% per 2009 estimates (index mundi, 2012). Energy production is currently depressed with only 1,200 megawatts available against a demand of 2,200 megawatts. (ZESA Megawatt bulletin, 2015). This has resulted in load shedding across the country. ZETDC as a utility service provider will need to balance expectations from the public who largely depend on the services of the utility Company for all their energy needs.

#### **Technological Environment**

Zimbabwe has moved with the rest of the world in adopting recent technological advancements and ZETDC is no exception. Such technological advances have demanded a lot of integration between technologies and between Organisations. Bill payment systems between banks and other

Organisations are now in high demand using 4G (fourth generation) cell phone technologies. Technological integration between systems technologies in various Organisations is now vital and the challenge faced by ZETDC towards this is great.

### **ZETDC'S Internal Control Deficiencies**

They are some recorded publicised cases at ZETDC where there have been incidences of internal control deficiencies. The following cases highlight some of the recorded publicised deficiencies.

#### **Case 1 - US \$3 million fraud**

In September 2010, ZETDC lost over US \$3 million to two workers of a Spanish computer firm which it had contracted to develop new computer systems and render technical assistance in its billing (Farawo, 2010). The two would enter false amounts into the system on the pretext that a customer has paid up when in actual fact they would have intercepted through collusion with some ZETDC staff the payment by the customers and converted it to their own use. The money was supposed to be paid to the Company but the two allegedly concealed the offence by reducing amounts of the bills in the system to zero using an unauthorised Harare BATCH, as a financial programme in the national server. ZETDC suffered an actual prejudice in the sum of US\$3,635,927.59 and nothing was recovered.

#### **Case 2 - Reconnection scam**

The Chronicle on 17 February 2012 reported that ZETDC could be losing thousands of dollars in electricity bills by consumers who were either deleted from the billing system or had their power fraudulently reconnected (The Chronicle, 2012). The power utility had unearthed a scam in which some of its employees were prejudicing the company by either deleting some consumers from the system or were reconnecting defaulters and getting paid kickbacks.

#### **Case 3 - Ministers' ZESA scandal**

ZETDC was reportedly failing to collect money from high ranking government officials for electricity bills owing and was also not disconnecting them. According to observations, Newsday of 14 February 2012, (Langa, 2012), cabinet ministers, senior civil servants and MPs were bleeding the Zimbabwe Electricity Supply Authority (ZESA) dry by refusing to pay electricity bills at their



private properties and using political muscle to avoid being switched off. Some of the officials named who owed very huge amounts included the Governor, whose outstanding bill was US \$145 000, and Secretary for Energy and Power Development who owed US\$20 000 among several high ranking government officials also named in the report. At the time the power utility was owed US\$537 million by both its industrial and domestic customers highlighting ZETDC's poor debt management.

#### **Case 4 - Inaccurate electricity bills sent to customers**

Incidence of suspiciously erroneous electricity bills that were received by some customers was noted by the Newsday (Mapimhidze, 2012). The report highlighted incidences of inaccurate bills sent to customers by the power utility. In July 2011, a tenant in Harare's Avenues area received a US\$5 bill for a month's uninterrupted supply of electricity whilst a tenant in the adjacent flat even rejoiced more for not paying for the power he used because his apartment number did not appear in ZESA's database at all! In another case, a company executive received a US\$5,000 bill and ZESA employees threatened to discontinue supplies if he failed to pay. It was reported that the man had to pay an officer at the power utility US\$100 to "sort out the mess".

#### **Case 5 – ZESA Boss Fired**

In September 2010, ZETDC fired its then Managing director for helping himself to a US \$25,000.00 loan and paying out unsanctioned allowances to Top Managers (The Herald, 2010).

#### **Case 6 – ZETDC accounts qualified**

The external auditors who conducted an audit of ZETDC's accounts for the financial period 2010 did not agree with ZETDC's valuation of its revenue. The auditors therefore qualified the accounts on the basis that part of ZETDC's revenue (US \$3 million) was based on estimates which could not be conclusively verified (ZETDC Annual Statements, 2010)

The above cases serve to highlight the magnitude of the loopholes that exist at ZETDC that put the company into perspective on its ability to self-regulate and safeguard its service delivery without compromising on quality.

## **1.2 Statement of the Problem**

An increasing number of scams in Parastatals have become a common feature in Zimbabwe which suggests a call for effective internal control systems to promote efficiency, effectiveness and compliance with rules and regulations. There have been calls (broader structural reforms) in which Government has approved the reform Framework for 43 State Owned Enterprises (SOEs) and parastatals, aimed at making them fully accountable, transparent, and economically viable, complementing government's broader efforts in promoting economic growth and improving service delivery (IMF, 2019). Internal controls are therefore looked upon more and more as a solution to a variety of potential problems in State Owned entities and Parastatals.

In spite of various pronouncements by, International Monetary Fund, World Bank and His Excellency just to mention few, on Internal Audit in the Zimbabwean Parastatals, general opinion according to literature, evidence by ZETDC Scams mentioned above, is that most of the public enterprises have failed to deliver on the purposes for which they were established. Many people accuse Managers of public enterprises in Zimbabwe of ineffectiveness and inefficiency in terms of internal control. They argue that poor application of Internal Audit principles and procedures leads to blatant diversion of scarce resources with its attendant consequences on the traditional accountability of government to the public. It is also highlighted that Internal Controls in Public Sector organizations are often misconstrued and often aligned with political and management affiliations rather than they being looked at objectively and holistically. Parastatals are on record for assets misuse and loss, poor governance and poor performance of which some are evidenced by the above cases. This state of affairs often results in mistrust of the public in the Internal Controls in the Public Sector, particularly in the Government Parastatals of Zimbabwe. In fact, Lee, Johnson and Joyce (2004) observe that Internal Audit's mandate it to give confidence to stakeholders that scarce resources are used for intended in financial management system design.

## **1.3 Aim of the Research**

The aim of this study is to evaluate effectiveness of Internal Audit function in Zimbabwe Parastatals, A Case of ZETDC.

#### **1.4 Research Objectives.**

1. To ascertain all legal Internal Audit procedures which are currently in place in ZETDC
2. To establish the extent to which the current internal Audit function is being implemented in ZETDC
3. Be able to establish the challenges that are being faced in implementing Internal Audit function in ZETDC
4. To highlight the weaknesses of the Internal Audit function in ZETDC.
5. To identify measures can be put in place to improve of Internal Audit function at ZETDC

#### **1.5 Research Questions**

1. What are the legal Internal Audit procedures that are currently in place in ZETDC?
2. Does ZETDC implement and follow the precepts of the Internal Audit function?
3. What are the challenges being faced in implementing Internal Audit function in ZETDC?
4. What are the weaknesses of the Internal Audit function in ZETDC?
5. What measures can be put in place to improve of Internal Audit function at ZETDC

#### **1:6 Hypothesis**

**H1:** There is Internal Audit systems in ZETDC not effective

**H2:** ZETDC is not complying with the precepts of the internal audit.

**H3:** There are some challenges being faced in implementing the Internal Audit function in ZETDC.

**H4:** There are weaknesses in the Internal Audit function of ZETDC

#### **1.7 Significance of Research**

The study will be of great importance to the researcher, University, ZETDC and the nation at large.

##### **1.7.1 Researcher**

Besides being a requirement for partial fulfilment of the Masters' Degree with the University of Zimbabwe; this research is important to the researcher as it widens her understanding on the pre-sets of the Internal Audit in general. The researcher will have an in-depth understanding on the strengths and weaknesses the audit systems of ZETDC. By having that understanding the researcher can be able to advise or to make an informed decision where necessary as a bona fide of ZETDC.

### **1.7.2 University**

The write up of this study will contribute to the University's library for other students whom, in the future, might need to carry out research on effectiveness of the Internal Audit in Parastatals of Zimbabwe, particularly ZETDC (Yeboah., 2020). Other researchers will use the study to further their studies in this area by reviewing the empirical literature and establishing gaps to fill.

### **1.7.3 Parastatals and ZETDC Management (Boards)**

The study will help the performance of corporate boards in Zimbabwe as the study results can be incorporated in public sector. The performance of especially SOEs will enhance the performance of the economy and help to improve the livelihoods of many Zimbabweans. It is also hoped that this study would improve the effectiveness of boards in executing the resolutions as well as giving a better array on the composition of the boards thus improving corporate governance. The study will help contributing to academic knowledge-existing body of knowledge by coming up with a model that can be adopted by many organizations.

### **1.7.4 Policy Makers and Nation at large**

The recommendations will help in strengthening the Internal Audit for ZETDC and other Parastatals who may have the same weaknesses. Policy makers will be assisted since they are the regulators of Parastatals. Positive improvements in the Parastatals will definitely contribute to National Gross Domestic Product and economic growth at large, thereby benefiting the citizenries of the Zimbabwe as a nation.

### **1.7.5. The Entire Supply Chain**

The study will help the entire supply chain of ZETDC. If the Internal Audit for ZETDC are strengthened all stakeholders in the supply chain will benefit by have adequate service offered by the Company

### **1.8 Delimitations of the Study**

The study was carried out in ZETDC looking into Audit, finance and risk management departments nationwide. The research was conducted from February 2020 to June 2020. Research study put emphasis on Internal Audit in Zimbabwe Parastatals, ZETDC in particular covering the period from 2010 to 2019.

### **1.9 Limitations**

Due to sensitivity of the topic under study, employees was resisting to divulge information suspecting whistle blowing practices, however a detailed explanation was given to overcome this obstacle.

### **1.10 Dissertation outline**

This section gives the overview of the structure of the study.

**Chapter 1:** Chapter one covers the introduction of the research. This chapter also highlights the background of the study, the problem statement and of the background of the organisation being used as the case study. The objectives, research questions, scope and justifications of the research are also indicated in this Chapter.

**Chapter 2:** This chapter focuses on the literature review. It outlines some of the work that has been carried out by other researchers and the theory on the subject matter which will help determine the research gap in the study area.

**Chapter 3:** This chapter focuses on the research methodology was used in carrying out the study. It explains in detail the research design and method that was applied in conducting the research and analysing the research findings.

**Chapter 4:** The chapter looks at data analysis and discusses the findings. This chapter will apply the theoretical framework from Chapter 2 to the case study, and will see how the selected theory

can explain the results obtained from case study. Within this chapter, the posed research questions in chapter 1 will be answered. The findings from the case study are discussed in this chapter.

**Chapter 5:** This chapter will incorporate the conclusions and recommendations based on the findings of the study.

## **1.11 Chapter summary**

This chapter presents the background of the study and the statement of the problem to draw attention to the main reason for the study. It also presents research objectives, research questions, significance, limitations, delimitations of the study and finally it spelt out the structure of the study. The next chapter is the literature review in which literature underpinning this study is discussed and scrutinized.

## **CHAPTER 2: LITERATURE REVIEW**

### **2.0 Introduction**

This chapter focuses on analyzing related studies which review different arguments and findings by different authors and researchers in relation to “effectiveness of internal Audit ”on Organization (Kofi Fred Asiedu, 2017). It is divided into various sections including; conceptual definition of internal Audit, internal Audit function, effectiveness of internal and factors affecting its reliability as said by (Kofi Fred Asiedu, 2017). The chapter presents the theoretical framework and conceptual framework on internal Auditing. It also highlights the empirical studies done by other researchers to address the gap that prompted this study. The Chapter ends with the chapter summary.

### **2.1 Conceptual Definition of Internal Audit**

Internal Auditing is the independent objective evaluation of an Organization’s internal controls to effectively manage risk within its risk appetite. Internal Audit should monitor that any weaknesses identified are also addressed (Nwannebuike and Nwadiolor, 2016). According to Unegbu and Obi (2012) as cited (Asaolu, 2016), internal Audit is part an essential part of used to monitor internal control system laid down by Company Managers ,ensure adherence to Company Policies and provide advise to Management . The function also assess and evaluates the adequacy of other controls laid down by Managers in order to ensure smooth administration, and control, effectiveness and maximum benefit derivation. This implies that internal Audit is an essential part of a complex system designed by the Management of any organization to ensure orderly conduct of its business and prevent abuse of assets.

(Albert L. Nagy, 2002) as cited by Deepak (2010) sees “Internal Audit as an independent objective assurance and consulting function designed to help an organization to achieve its objectives” which also includes programmes and projects, reliability of financial operational information, following procedures and prevention and detection of fraud.

The objectives of internal Audit are unarguably broad but Governments differ in their commitment to them. This is why it is generally asserted that the effectiveness of internal Audit can only be as good as the commitment of government to pursue these objectives (Nwannebuike and Nwadiolor, 2016). (Onoja, 2013) who asserted that the objective of the Internal Audit is to safeguard of asstes



and ensure that they perform their duties diligently. (Onoja, 2013) who corroborated with the views of Owler and Brown (1999) which asserted that objectives of Internal Audit include the review of business operations, resources and underlying records.

(Onoja, 2013) when on to cited (Adeniji, 2011) who viewed Internal Auditor as an extension of part of the management control system of an organization. (Onoja, 2013) believes an Internal Auditor is a Management assistant assures them that the financial position of the business is fairly reported, free from material misstatements due to fraud and errors, and complies with the underlying standards laws and regulations. It assists an Organization to achieve its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes". (Sharifah Nazatul Faiza Syed Mustpha Naz, 2019) cited Enofe, Mgbame, Osa-Erhabor and Ehiorobo (2013) who contend that "the aim of Internal Auditing is to improve organizational efficiency and effectiveness through constructive criticism." (George Drogalas, 2015) This means that identification of areas of weakness and suggestions for improvement are the main thrust of internal auditing. Little wonder Sawyer (1995) state that Internal Auditor's scope of work will not be exhausted until inefficiencies have been addressed.

## **2.2. The Internal Audit Functions (IAF)**

Arena and Azzone (2015) view Internal Auditing as a value adding function to an organization as this service incorporates a new link to internal control i.e. risk management. According to this scholarly view by (Abdulaziz Alzeban, 2014), internal auditors embraced value addition approach by transforming their functions and extending their involvement areas to risk management, control, and governance processes. Internal Audit is seen as a function of three key variables namely the characteristics of the Internal Audit team, the Audit procedures and activities, and the organizational links. Internal Audit effectiveness will result in the efficiency of each auditee and the company at large (Ditternhofer, 2001). Further, where the Internal Audit quality is ensured, there will be appropriateness in procedures and operations of the auditee, resulting into auditees' effectiveness and the company as the whole (Ditternhofer, 2001). Also, where the Internal Audit is effective, it has an advantage over external audit as it helps to accumulate quickly, the information needed in solving a particular problem and facilitate solving the problems at an early

stage (Xiangdong, 1997). There has been a widespread view in the western auditing circles that Internal Audit is an independent appraisal function (Chun, 1997) as cited by (A.M.Lamensdorf Ofori-Atta, 1995). In June 1999, the Institute of Internal Auditors (IIA) officially adopted a new definition of “the internal auditing function” as: “An independent, objective assurance and consulting activity designed to add value and improve an organization’s operations, assist the Organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes” (Albert L. Nagy, 2002). There must be adequate legal framework to guide the operations of audit function (IIA, 2001)

Ofori and Lu (2018) point out that the specific functions of the Internal Audit as to; review the control system and to identify weaknesses, breakdown and to report to management with recommendations, design checks to reveal the existence of or prevention of frauds, rationalize accounting policies within a group and design and implement new accounting systems and conduct management efficiency audits and post-implementation audit of Capital Projects.

### **2.3 Internal Audit Effectiveness (IAE)**

Way on how to make Internal Audit effective has been an area of common interest to many. This has been responsible for the divergent views of authors on this concept. Vijayakumar and Nagaraja (2012) appear to be concerned more with the outcome of effective Internal Audit system which they argue helps in achieving performance, profitability and prevents loss of revenues particularly in Public Sectors.

Shoommuangpak and Ussahawanitchakit (2009) view audit effectiveness as achieving audit’s objective by gathering of sufficient and appropriate audit evidence in order to express reasonable opinion regarding the financial statements compliance with generally acceptable accounting principles; perversely, (Sharifah Nazatul Faiza Syed Mustpha Naz, 2019) who expressed audit ‘effectiveness as the number and scope of deficiencies corrected following the’ audited ‘process.’

Effective internal auditor professionals should be strong service delivery capabilities (consistency in approach, standards, including the abilities to maintain audit focus and alignment of resources to the plan. There should be also be strong management skills which will ensure that Internal Audit teams have appropriate skills and motivation. Besides the above, the level of training, education, experiences as well as professional qualifications of the internal auditors influenced the effectiveness of internal audit. The above characteristics are essential and can be seen as building blocks to effective Internal Audit system. Belay (2007) and De Smet and Mention (2011) are of the opinion that attributes of effective internal control include; organizational independence, a formal mandate (existence of approved audit charter, unrestricted access, sufficient staff, existence of audit committee, stakeholder support, professional audit standards and unlimited scope.

In a related development, the Chartered Institute of Public Finance and Accountancy (2006) as cited in Mu'azu and Siti (2013) believes that effective Internal Audit service should aspire to understand the whole organization, its needs and objectives, understand its position with respect to the organization's other sources of assurance and plan its work accordingly. They should be seen as a catalyst for change at the heart of the organization and value and assist the organization in achieving its objectives. Also should help to shape the ethics and standards of the organization, ensure the right resources are available and seek opportunities for joint working with other organizations. A cursory look at the above reveals the holistic nature of the expectations of effective Internal Audit system from a professional stand point. It is more or less like setting the universal standard against which effectiveness of internal control would be assessed.

For the public sector, Mihret, (2007) brought up a model in which all Internal Audit should follow. Figure 2.1 below illustrates the public sector model for Internal Audit Function.

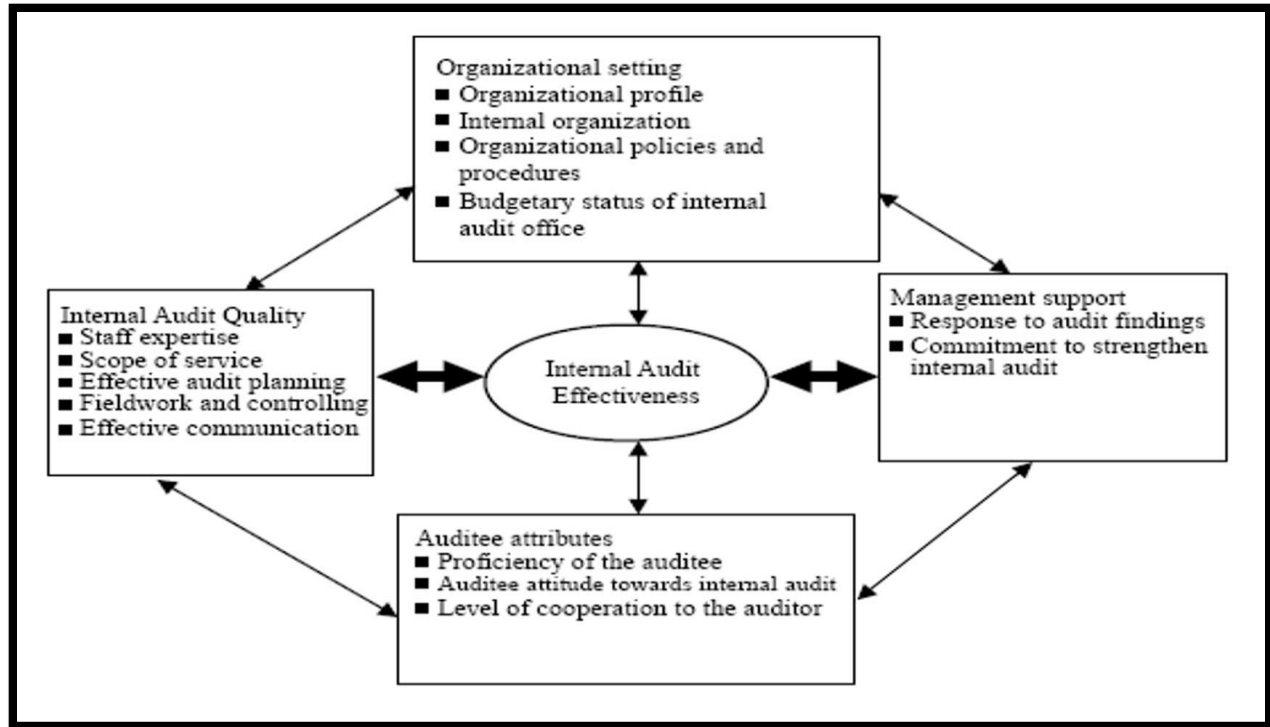


Figure 2:1: **Internal Audit Model for Public Sector** Adopted from Mihret, (2007)

## 2.4 Factors affecting Internal Audit Effectiveness

As mentioned by Rudhania, Vokshib and Hashani (2017) and supported by (George Drogalas, 2015) “the usefulness of the Internal Audit influenced by four independent variables such as quality of internal audit, competences, the being stand alone and support of Internal Audit by the management.” However, Mahachi (2018) argues that Internal Audit effectiveness is influenced by risk management function, governance function, internal control systems, and the independence of the Internal Audit function and the composition of the Internal Audit among other things.

### 2.4.1 Risk Management and Internal Audit effectiveness

Puttick (2007) state that an effective Internal Audit function should give confidence to that management processe that it identifies and monitor risks. According to ISA (Nd) information about risk is core input to Internal Audit function in audit plan hence need to make inquiries to management on issues of risk. On the other hand, risk management is a management tool core to their objective attainment. Management’s support through risk management thus impacts the

operations on Internal Audit function due to the interrelationship between the Management and Internal Audit.

According to D'Onza, Selim, Melville and Allegrini (2015) Internal Audit effectiveness increases when Internal Audit function has the ability to assess and improve the risk management through adopting of systematic and disciplined approach. Their strengthening role in risk management through Management support helps improve their effectiveness. Aghghaleh, Mohammed and Ahmad (2014) further supporting this notion, stating that Internal Audit function plays significant role in risk management, the clarity of their role helps enhance Internal Audit effectiveness. According to Badara and Saidin (2014) for Internal Audit function to achieve its set goals within the organization they should be well established risk management put in place in the organization. Thus Management's support through fulfilling their role of risk management can help promote Internal Audit effectiveness. Value addition of Internal Audit function to Organization can be achieved through management's effective and successful implementation of risk management (Thompson, 2013). According to Feizizaden (2012) an effective Internal Audit has assessed risk facing the organization and built an audit plan to assess them. Thus Internal Audit by making risk management information from management their core input they can achieve effectiveness. Badara and Saidin (2012) concurs that risk management influences the effectiveness of Internal Audit function (Sharifah Nazatul Faiza Syed Mustpha Naz, 2019). All the above researchers agreed that risk management information from management positively affects Internal Audit effectiveness.

According to Rensburg and Coetze (2016) although management consider internal audit's task in the management as effectiveness of the function they do not describe the function as the key for change, mainly because of lack objectives focusing on positive change. Sarens, and Lenz and Decaux (2016) further supporting with an impartial view stating that to be effective Internal Audit must not only possess sound judgment and critical thinking in risk management but must compel others to act appropriately that is being agents for change. Modern Internal Audit have adopted risk based to be more effective but it does not mean that financial reporting related matters are priority hence risk management as a tool to Internal Audit effectiveness can be misleading or rather it is now defeating its purpose (Lenz, 2013). Arena and Sarens (2015) states Internal Audit's

engagement in different activities creates complexity in their role as they would need to serve two masters, the complexity might hinder the function's effectiveness. Further supporting with a neutral standing was Kamu et al (2014) stating that risk management positively impacts Internal Audit effectiveness but to be effective they should refrain from over involvement in management activities but rather restrict themselves to their role of consultancy and assurance and let management lead in their role of risk management.

However, some researchers contrast the notion. For example, Chambers (2014) states that Internal Audit function is not yet fit for its purpose in risk management thus its role in risk management is not yet up for debate, they need to improve its effectiveness through its traditional role. Internal Audit function has not yet expanded their role beyond its traditional role of financial regularity and compliance thus finding no relationship between Internal Audit effectiveness and risk management (Alzeban & Sawan, 2013). Fourie and Akerman (2013) opine that Internal Audit should only serve as a monitoring tool to management, as the more the consulting and objective assurance services in risk management the less the objectivity and independence of Internal Audit function thus negatively impacting Internal Audit effectiveness. Lenz et al (2017) are of the view that Internal Audit function needs to up its game to be able to provide value addition through risk management as their role is still a question as no visible addition has been established yet. Risk management negatively impacts Internal Audit effectiveness because this relationship with management results in management interfering with IAF's work, thus creating a hindrance on the function's performance. As shown by the above arguments, the researchers did not reach a consensus on the relationship between risk management and Internal Audit effectiveness (George Drogalas, 2015). In this current study the researcher takes a different angle, rather than looking at the impact of risk management on Internal Audit effectiveness as sought by the above authors. The study sought to establish whether management is effectively using risk management as a tool to support Internal Audit function in order to enhance Internal Audit effectiveness.

#### **2.4.2 Governance and Internal Audit effectiveness.**

Omri and Dellai (2016) established that there is "an assertive relationship between corporate governance and Internal Audit effectiveness". Internal Audit function aims to add value to the organization together with management by evaluating and improving "effectiveness of governance" (Sharifah Nazatul Faiza Syed Mustpha Naz, 2019). The notion was supported by

Rensburg and Coetze (2015) stating that corporate governance positively affects Internal Audit effectiveness with governance structure element with the highest achievement rate in the Internal Audit capability model. Internal Audit effectiveness involves the attainment of objectives, corporate governance being one of the objectives thus making Internal Audit the key participant in corporate governance (Shamsudin & Johari, 2014).

Rose et al (2013) states that external auditor's views uphold corporate governance as Internal Audit effectiveness and would rely more on Internal Audit work. Arena and Sarens (2015) opine that internal audit effectiveness is attained when Internal Audit accomplishes its role to its counterpart in corporate governance, serving as the eyes and ears of management towards governance issues. Through management support, Internal Audit is able to fully fill its governance role and in turn allows harmonizing of interest of stakeholders and increase organization's performance (Radu, 2012). The impact of corporate governance on Internal Audit effectiveness is not straightforward; governance leads to effective Internal Audit (Hay, 2017). Roussy and Bivot (2015) adds that the relationship between Internal Audit effectiveness and governance is complex. However, Ashouri et al (2015) gave a neutral standing stating that for corporate governance to positively impact Internal Audit effectiveness management should strike a balance using cost benefit analysis in actually implementing Internal Audit function recommendations. Lenz (2013) states that there is a discrepancy between the theoretical notions that Internal Audit effectiveness has a positive relationship with Internal Audit effectiveness and reality, the two are distinct. Zakari (2012) has a neutral view on the idea asserting that the effectiveness of Internal Audit through corporate governance rests on the level of independence of internal audit, once compromised there is no value addition by the function to the Organization.

This brings some contention by other authors such as Sarens (2016) stating that Internal Audit is becoming further relegated in governance debate and its value addition is questionable. Study by D'Onza (2015) revealed that there is no significant relation between internal audit's systematic approach to evaluate effectiveness of corporate governance and Internal Audit effectiveness. It has been put forth that, there is still confusion on the role of Internal Audit function within corporate governance, agency theory is still very much alive thus its involvement in governance is not measured as effectiveness of function (Pilcher, 2014). Roussy (2013) and Shapiro (2012) agreed there is no

relationship between Internal Audit effectiveness and Corporate Governance, its value is diminishing due to competition due to policies such as the whistle blower policy. The above researchers were focused on establishing the role of Internal Audit in governance and how this is measured as effectiveness of the function. The researchers unheeded the interpersonal relationship that exists between Internal Audit and Management. Hence providing gap to study how management support through Corporate Governance can help enhance Internal Audit effectiveness.

### **2.4.3 Internal Control System and Internal Audit effectiveness**

Study by Badara and Saidin (2014) revealed that effective internal control system can impact the effectiveness of Internal Audit function. This is supported by Fourie and Ackerman, (2013) who state that monitoring components of internal control systems enhances the effectiveness of Internal Audit function. It has been noted that Internal Audit function has value creation towards Organizations through management by evaluating and improving effectiveness of internal control systems created by Management (Dellai & Omri, 2016). Internal Audit function has significantly become recognised as the key mechanism to Internal Control system mechanism (Hanafi and Steward, 2015). Further, D'Onza et al (2015) support that Organizations Internal Control system is significantly and correlated to the value Internal Audit, adds to the organization by adopting a systematic approach to improving and evaluating Organization's Internal Controls. Hence Internal Audit can be attained + there is an effective internal control in place (Badara and Saidin, 2013). It was observed by Monday et al (2016) that the extent to which internal controls practices affects Internal Audit effectiveness are moderate. Internal controls put in place by management positively impacts Internal Audit effectiveness however, this is depending upon management effectiveness on monitoring these controls (Ogundana, 2015). The study by Lenz (2013) showed no clear defined relationship between the two as Internal Control systems has quite a number of different aspects which differ in meaning in different situations and interpreted differently.

In contrast, other researchers observed an inverse relationship between Internal Control system and Internal Audit effectiveness, for example, Michael (2016) noted that internal controls are prone to inherent limitations which directly negatively affect Internal Audit effectiveness. With the adoption of IT in Internal Control systems it makes the work of Internal Audit complex thus creating a hitch on Internal Audit effectiveness, Koo and Yang (2014). According to Albulkadiar



(2014) and Syebi and Quain (2013) due to Management overrides, human errors and collusions Internal Controls fail to serve their purpose thus negatively impacting Internal Audit effectiveness. According to Bongani (2013) Internal Control are not effective to ensure the achievement of organizational goals therefore negatively impacting Internal Audit effectiveness. The above submissions showed that the researchers were focused on establishing whether Internal Control systems enhance Internal Audit effectiveness. Following the above arguments, the researcher was prompted to research on how internal controls can ensure efficiency of Internal Audit function.

#### **2.4.4 Internal Audit staff competency and Internal Audit Effectiveness**

According to Arens et al (2012) competency is knowledge and skills necessary to accomplish tasks that define one 's job and International Institute of Auditors (IIA) (2013) noted ten core competencies of Internal Audit activity. The following are the core competencies required of internal auditors; promotion and application of professional ethics, developing and managing the Internal Audit function; adherence to International Professional Practice Framework (IPPF), application of a thorough understanding of governance risk and control, possession of business acumen , maintenance of expertise of business environment, industry practices and specific organizational factors, communication of its function with impact, persuading and motivating others through collaboration and co-operation application of process analysis, business intelligence and problem solving techniques, delivering timely of Internal Audit engagements and enhancing change and driving improvement with the organization

IIA (2013) states that competency involves personal skills and technical expertise. As illustrated by the framework below, there are 3 personal skills required by the internal auditor to be competent that is communication, persuasion and collaboration and critical thinking. The technical expertise's principal focus points being IPPF, governance risk and control, and business acumen (as shown in Fig 2.2. below)

Improve and innovate Internal Audit Delivery		
Personal Skills		
Communication	Persuasion and Collaborating	Critical Thinking
Technical expertise		
IPPF	Governance and Risk Control	Business Acumen
Internal Audit Management Professional Ethics		

Figure 2.2: Internal Audit staff competency Source *International Institute of Auditors* (2013)

#### 2.4.4.1 Technical Expertise

According to Alzeban and Sawan (2013) for Internal Audit function to operate effectively they need for the function to be fully equipped with competent and proficient staff to be able to make changes that will benefit the organization. Further agreeing was Ussahawanitchawit (2012) saying Internal Auditors that are more experienced tend to conduct best practices and also produce better outcomes, proving the importance of their competency. Abbott et al (2012) also concurs affirming that a member of Internal Audit who has high qualification can deal issues inside the Department since they have a clear insight on tackling the operations and achieve high quality work.

Various authors debated on Internal Audit competency and agreed that Internal Audit staff competency has a positive impact on Internal Audit effectiveness but defining Internal Audit competency is being unclear and inconsistent. Plant et al (2013) posit that Internal Audit competency is vital but it is unclear and inconsistent, they is relatively high level of confusion and discrepancy between guidance's common levels and management of what is appropriate for staff. Coetzee et al (2013) also argued that a uniform approach relating to knowledge, skills and attitudes as competency is not being followed. Further backing up the haziness in the definition of competency of internal auditors Fourier et al (2013) stating that competency and skills addressed in various documents do not share a common set of definition as a result direct and serious consequence this message convey to IA managers that they is confusion in their skills and competency.

However, Dehali and Omri (2016) found no significant association between internal audit competency and internal audit effectiveness (Sharifah Nazatul Faiza Syed Mustpha Naz, 2019). Arguing that Internal Audit and Internal Audit competency depends on more on Managerial characteristics than on qualification. Bonney (2015) supported the notion stating that Internal Audit function can have competent staff and enough knowledge about the business but still fail to come up with the desired results. Smet and Mention (2012) Internal Audit function competency is not guarantee enough that it will lead to an effective Internal Audit function. The staff might have adequate knowledge but still fail to implement it. Whalen and Holt (2013) alluded that lack of competency does not affect the performance of Internal Audit function, IAF might have competency and knowledge of the business they are operating in and suggest ways but Management will not implement.

#### **2.4.4.2 Personal skills**

Study by Nakabuye et al (2017) observed a positive relationship with between competency and Internal Audit effectiveness. He noted that Internal Audit competency increases compliance with audit plans and making clear reports to Management and Audit Committee to ensure proper communication enhance an effective Internal Audit function. The existence of communication skills is needed for Internal Audit to strengthen Internal Audit role to its Auditee (Narkchai & Fadzil, 2017). Alzeban and Sawan (2013) concurs by saying staff competency is important key to Internal Audit effectiveness arguing that lack of competency of IA staff is seen as one of the reason of lack of an audit plan thus no clear direction of goal achievement tool. According to Endaya and Hanefa (2013) the existence of effective communication between Internal Audit themselves, auditee, Internal Auditors and Organizational members, without any doubt is needed to strengthen Internal Audit effectiveness. Sarens (2012) states that interpersonal communication is significant in determining performance of internal audit. According to Agarga and Garg (2012) communication as key component of personal skills required for a competent Internal Auditor positively impacts Internal Audit function.

Of recent the need for Internal Audit staff competence has increased due to change of the internal audit's traditional role. Prior Researchers addressed the impact of the different types of skills of internal auditors on their effectiveness and provided mixed findings. This study aims to expand the knowledge identifying the impact of staff competency as a whole on the effectiveness of internal auditors to be able to contribute to Organizations' value.

#### **2.4.5 Soundness of the existing management controls and IAE**

Merchant and White (2017) defined Management control system as designed to ensure that employees are acting in their Organization' best interest. To serve the organization's best interest typically means implementing the business strategy as intended. According to Herath (2007) management control is any action activities procedures and norms in an organization to influence the probability that Organizational participants' behavior will need to the attainment of negotiated levels of objectives been following optimum internal. According to Oppong (2016) Private Sector control systems are very strong in the organizations, policies over authorization are adequate and separation of duties and resource is effective as compare to Public Sector. He adds that the soundness of the existing management controls the effectiveness the internal control system is and vice versa.

#### **2.4.6 Organizational Independence of Internal Audit function and IAE.**

Muqattash (2017) and Salehi (2016) states that, if the Organizations want to achieve highly effective audits, Internal Audit activity should be independent process and Internal Audit professionals who perform should remain objective. Usman (2016) states that the more independent and objective the Internal Audit functionis, the higher the quality of results produced by Internal Audit function. Hoos et al (2015) and Dawudo et al (2015) and argued that auditor independence does not affect Internal Audit function effectiveness. However, the impaired of Internal Audit independence has also been debated by various authors identifying factors which impair Internal Audit independence.

##### **2.4.6.2 Factors Affecting organizational independence of internal auditors.**

According to Goodwin and Voe (2001) two factors affect the Organization independence of internal audit. Firstly, it's the relationship between Internal Audit function and audit committee. Secondly is the extent to which the Internal Audit is used as Management Training Ground.

##### **2.4.6.2.1 The use of Internal Audit function as a management training ground.**

Messier et al (2010) defined Management Training Ground (MTG) as the procedure in which individuals are hired into and transferred into Internal Audit functionfor a short time before being

promoted to Management. According to Bartlett (2017) who was cited by (Yeboah., 2020) the use of Internal Audit as a Management Training Ground impairs their independence as it attracts low academically performing students who more interested in getting paid creating a threat to their independence. According to Christ et al (2015) MTG internal auditors are less independent as their judgment would be impaired because they might want to protect their interests. Rose et al (2013) stating that Internal Auditors used as as a Management Training Ground's independence is compromised because IA are more likely accept aggressive accounting policies promoted by Management when they are expecting to move to Management position .Hoos et al (2013) Internal Auditors used as Management Training Ground 's independence is impaired stating that IA will provide lower risk assessment and more favourable investment recommendations (i.e. there are inclined to preferences of management.). Anderson et al (2012) further supported stating that internal auditors used as management training ground is less efficient because of the impairment of Internal Auditor's independence.

However various authors disputed the notion that use of Internal Audit impairs 'organizational independence of internal auditors' (Yeboah., 2020). According to Carcello and Neal (2000) internal auditor independence is not compromised by use internal as a management training ground but rather management rely more on MTG Auditors than Non-MTG recommendations as they are perceived to have a more natural ability to problem solving. Hoos et al (2018) states that Internal Audit objectivity is not compromised by the use of Internal Audit as Management Training Ground rather helps promote their relationship with audit committee thus more objective. MTG is beneficial to Internal Audit functions as it improves its relationship with the auditee thus their objectivity is not inclined to being only blood hounds but watch dogs for positive change, D'Onza and Sarens (2018). Audousset-Coulier (2016) 'use of Internal Audit as Management Ground' as stated by (Yeboah., 2020) increases Auditor's knowledge and competency thus better objectivity. This competency makes the Auditors more aware of the scope of their work and ways to mitigate threats to their independence, Shahimi et al (2016). According to Burton et al (2012) experienced auditors have higher interest to apply for Internal Audit positions when advertised it is a Management Training Ground, experienced competent bear more independence and objectivity. The literature provides the different perspectives of the authors on the impact of the use of Internal Audit as Management Training Ground on Internal Audit independence but little has been done to determine the impact of impaired auditor independence on the function 's effectiveness. Thus

providing a gap for the researcher to look at how the impairment of auditor independence by using it as a management training ground impacts Internal Audit effectiveness.

#### **2.4.6.2.2 Relationship between audit committee and internal auditors.**

According to Tusek (2014) Audit Committee is a selected number of members of an organization's board of directors whose responsibility include helping auditors remain independent of management According to Korir (2017) Internal Audit should have direct communication with audit committee which reinforces the organizational status of IA, enables support and unrestricted access to organizational resources and ensures there is no impairment of independence. Alzeban (2015) states that IAF is unlikely to be influenced by Management agendas because it will be well resourced due to relationship with Internal Audit function. Kaman (2014) supports this notion stating that Audit Committee effectiveness has a significant role in enhancing organizational independence of IAF. According Zhou and Zinyama (2012) Audit Committee help to institutionalize and nurture a culture of accountability, integrity and legitimacy.

However according to Kheli (2016) Audit Committee in practice remains unable to detect whether management exerts pressure on IAF thus failing to protect IAF's independence. Authors have not reached a consensus on how the relationship on IAF and Audit Committee has on Organizational Independence of IAF thus the empirical gap for the study to be done in Zimbabwe on Public Sector as this will help to provide an innovative way to promote Internal Audit independence thus effectiveness through relationship with Audit Committee.

However other researchers disputed the notion. According to Vasile and Mitran (2016) the existence of audit committee does not mean function has independence or the Organization will function effectively. According to Church et al (2015) states that regulators express concerns over the audit committee role on promoting Internal Auditor independence. Audit Committee appear to be independent reporting function to which Internal Audit function can gain independence but anecdotal evidence suggests it is just a mere formality not in reality, Bruynseels and Eddy (2014). According to states that regulators express concerns over the audit committee role on promoting internal auditor independence Pilcher (2014) and Bourbaker and Taher (2013) audit committee have no influence on Internal Audit independence because the function has no chief stakeholder because of its dual role to management and audit committee thus audit committee on its own cannot impact function's independence. The above authors debated on whether the relationship between Internal Auditors and Audit Committee impacts on Internal Auditors independence. They did not

reach a consensus. None of the authors looked at how this impairment Internal Auditor independence affects internal auditor's effectiveness.

## **2.5. Impact of Internal Audit effectiveness on organizational performance**

According to Awdat (2015) Internal Audit is an independent function on within the organization responsible for examining and evaluating activities so as to give an independent appraisal. Alzeban and Sawan (2013) states that that measurement of Internal Audit performance towards organizational performance of Internal Audit functionis important. Arguing that Internal Audit is now being challenged but other outsourcing methods hence the need to clearly identify the value addition on this function in organizations. Roles of Internal Audit include the ensuring efficient financial control and cost reduction strategies. These roles promote towards Organizational performance, hence its ability to achieve these means positively contributing towards Organizational performance.

### **2.5.1. Financial Control**

According to Bonney (2015) financial control has a positive relationship with firm 's profitability because funds are controlled and managed well. Although Parastatals are not profit oriented financial control will help them maintain a healthy financial sustainability. Alkhasa (2013) stated that Internal Audit adds value towards Organizational performance because it ensures financial control.

Financial control involves the measurement of and comparing of actual targets and budgeted targets and correcting any variance. It is important aspect in Parastatals because in order to lure more donors' organizations should show their ability to work along approved budgets as well as achieving targeting goals. Ozley (2013) further supports stating that financial controls help promote little wastage of resources in organizations. According to Smet and Mention (2012) Internal Audit function has a positive contribution toward the organizational performance of organization through effective financial control of the Internal Audit function.

However, Jackson (2012) argued that the IAF has limited powers to ensure an effective financial control as management has the final say. Abdali (2012) also argued that there is a positive relationship between Internal Audit function's financial control and organizational Organizational perfo. This is because Internal Audit function will be concentrating on monitoring compliance but not ways to improve it. The above authors shared different perspectives on the notion that Internal

Audit effectiveness ensures better organizational financial control. Prior authors were focused on the relationship between Internal Audit effectiveness and financial control to be able to maximize profits which is the major objective of profit making organizations but little has been done in literature to investigate the impact of this relationship in NGOs to use it as a tool to ensure better project management and attract more donors hence their good performance. This provided a gap for the researcher to investigate whether Internal Audit effectiveness in NGOs can promote better financial control.

### **2.5.2 Reduction of Costs**

According to Bame-Aldred et al (2013) Internal Audit contributes towards positive change of organizational performance through providing cost reduction mechanisms. Through their oversight role they observe how operations are done and how to reduce unnecessary cost in the business operations. Kemal (2012) states that an organization needs to strategize ways to reduce costs so as to maximize profits and ensure organizational performance. Internal Audit as an appraisal function it should be able to establish ways to reduce costs in organization's operations. Cohen and Sayag (2012) were of the notion that Internal Audit function can come up with cost reduction strategies because it evaluates operations of the organizations and through these evaluations they get ideas of the appropriate cost reduction methods. Holt et al (2012) further went on to say cost reductions in Organizations is associated with higher performance of organizations. With an effective Internal Audit function, it is able to ensure reduction in cost thus contributing to the overall performance of Organization.

However, Hofer and Grabman (2014) argued that Internal Audit function may negatively impact on Organizational performance in their aim to reduce costs. Cut of some costs might negatively affect costs although perceived by the Auditors as unnecessary cost but to operations perspective they are vital. For example, in NGO sector fundraising costs are not aimed at making a profit but to lure more donors as well as provide awareness to other stakeholders about a particular project. To internal auditors' side if fundraising costs are not gaining as much from fundraising activities as much as they have imputed it is considered inefficient. If these costs are cut organizational performance in terms of achievement of objectives is not attained rather it is disrupted. Ruesters (2013) also supported the notion stating that there is need to cautiously look at cost when eliminating particular cost. The above Researchers sought to establish whether Internal Audit effectiveness promotes cost reduction. This however provided gap to investigate the ways



of ensuring that cost reduction strategies implemented by Internal Audit function do impact Organizational performance positively and no conflicting objectives are created between functional departments. That is Internal Audit function in its aim to effective Internal Audit does not hinder programs Departments effective project Management.

### **2.5.3 Staff productivity and improved quality**

According to Al-Matari et al (2014) Internal Audit function ensures improved quality of work by staff by monitoring and evaluating the performance of workers. Wines (2013) further states that Internal Audit function ensures improvement in work of staff through performance reviews because workers would want to maintain a constant appraisal thus better productivity. Mohammed (2012) also argued that Internal Audit contributes to staff productivity and improves quality of work. Through performance reviews the Internal Audit evaluates the work of staff and this creates a motivating effect of staff to improve their work each time. According to Smith (2012) the performance reviews by Internal Audit function ensures higher productivity by the staff.

However, Saud (2012) argued that performance reviews by Internal Audit function leads to increase in operational costs. Increase in costs which result in overall decline of organizational performance of the Organization. Supporting the notion was Sarens and Lenz (2013) stating that Internal Audit activities to promote staff productivity leads to an increase in costs. According to Peters et al (2012) performance reviews are costly hence negatively impacting the organization 's overall performance. The study sought to establish how the effectiveness of Internal Audit can promote staff productivity and the quality of their work thus contributing to a positive change towards Organizational performance.

## **2.6 Economic Implications of IIA System in the Public Sector Management**

(Onoja, 2013) cited in (Onoja et al 2013:25) whose view that the dramatic world stock markets collapse and later economic calamities, made Organizations in Nigeria to place more importance on internal auditing. Azubuike (2002:23), views internal control is highly effective in increasing the reliance of accounts by minimizing the chances of errors and mistakes and in safeguarding organizational resources against fraud and abuse. The implications of an ineffective auditing system in the Companies are:

- Inability of enterprise to reduce risks of material misstatements contained in reports rendering them to be unreliable.
- Failure to make appropriate business due to poor consulting services from the internal audit department.
- Poor governance exposing the Organizational reputation to its stakeholders
- Non detection of incidences of noncompliance with policies, procedures, laws, standards and regulations.
- Non detection and correction of resource leakages and capital erosion.

## **2.7 Weaknesses of Internal Auditing in the Public Sector**

(Onoja, 2013) cited Unegbu and Kida (2019:56) which said the reasons why Internal Auditing fail to achieve intended goals are shown below:

### **2.7.1 Unavailability of Audit Manuals:**

(Onoja, 2013)“The unavailability of Audit Manual and work plan affect the quality of audit work.

### **2.7.2 Lack of Career Pathing of Internal Auditors**

(Onoja, 2013) said “Most Internal Auditors who have adequate qualifications are treated differently from their colleagues in the Finance/Accounts Department. Professionals working in the Finance or accounts Department are given higher promotion prospects than Internal Auditors. The Internal Auditors are not given a Career path up the Organizational ladder. (Onoja et al 2013:25).

### **2.7.3 Reporting Structure and Professional Independence**

(Onoja, 2013) before the restructuring of the Internal Audit Reporting Structure, the internal auditor used to report to the Head of the Finance/Accounts Department. However the recent changes that made the Internal auditor report to the Chief Executive Officer made no significant changes to the independence of the auditor. This is mainly due to the fact that the Chief Executive Officer is a political office holder, and will not be interested in activities of that Company” (Onoja et al 2013:25).

#### **2.7.4 Scope of Work**

(Onoja, 2013) also mentioned that “The absence of a proper definition scope of work and what they are not supposed to do also prevents the Internal Auditor to perform duties as expected .” as cited by (Onoja et al 2013:25).

#### **2.7.5 Privileges of Office**

(Onoja, 2013) also said “ Internal Auditors may not handsomely paid and as a result some Internal Auditors to compromise their work.

#### **2.7.6 Hazards of Office**

(Onoja, 2013) also mentioned that Internal Audit efficiency negatively affected by lack of honesty. The Internal Auditor face a lot of resistance in conduct of their work of some may be assassinated, or have property destroyed .

### **2.8 The theoretical framework**

The theoretical framework on Internal Audit is based on the agency theory, shareholder’s theory and the stewardship theory. The agency theory was proposed by Ross and Barry (1973) and later developed by Jensen and Mecklings (1976) and later cited by (Bebeji Aminu, 2015) demonstrates the fundamental conflicts of interest between Managers and shareholders. The theory examines the separation of the ownership of a firm, control and Management motivation (Nteziryayo, 2014). The theory therefore examines the relationship between Shareholders and its Management who are agents for the owners (Sakalunda, 2014). The agency theory argues that the principal who is the Shareholder passes the authority to an agent to conduct transactions ,make decisions on the behalf of the principal with an effort to maximize the principal’s interest (Tapiwa, 2013). The agency relationship is described as a contract (implicit or explicit) in which the Principal to take actions on their behalf and thus involves delegation of some decision making authority to the agent (Mawia, 2013). The agents must have enough motivation and control mechanisms to always act in a manner that maximizes the profitability of the principal’s business (Nyabenge, 2009). This theory is applicable in this context because the tax payer delegates their authority to the government officials with the view that the officials will use the given authority in accordance to the mandate given to them by the tax payers. The Internal Auditors thus play a critical role in

assuring the tax payers that their funds are being prudently utilized. The stakeholder's theory was originated by Freeman in 1984 and identifies and models the groups that are stakeholders of a corporation. The stakeholders are defined as all the interested parties for whom the firm's development and good health are of prime concern (Ranti, 2011). The stakeholders have also been defined as any group or individual that can affect or be affected by the realization of a company's objectives. The stakeholders are divided into the primary and secondary stakeholders. The primary stakeholders are those actors who have an effect on the Company (Kulundu, 2014). On the other hand, the secondary stakeholders are those actors who are impacted by a firm's actions not having any connection to the firm.

The shareholder's theory indicates that the shareholders or stakeholders are the owners of the company, and the firm has a binding fiduciary duty to put their needs first, and to increase value for them (Mbuchi, 2013). The theory recognizes the importance of the shareholder or the stakeholder in the management of the firm. The effective organizations will seek to do what is best to serve interests of shareholders using company resources. In this context, Kulundu (2014) argues that the stakeholder theory attempts to group stakeholders according to which deserve Management's attention. The Internal Audit helps to raise issues in which requires the management's action from the operational aspect to the financial integrity of the systems (Atieno, 2013). The stewardship theory in contrast to the agency theory argues that the firm's Directors have interests that are in line with those of the Shareholders (Noah, 2013). In this context, Ngotho (2014) notes that the Organizational role-holders are conceived as being motivated by a need to achieve and gain intrinsic satisfaction through successfully performing inherently challenging work, to exercise responsibility and authority, and thereby to gain recognition from peers and bosses. Ngenoh (2013) notes that managers carry their duty with a sense of duty. The stewardship perspective suggests that the attainment of organizational success also satisfies the personal needs of the steward (Gad, Shane, & Strong, 2010). The steward identifies greater utility accruing from satisfying Organizational goals than through self-serving behaviour. Stewardship theory recognizes the importance of Structures that empower the steward, offering maximum autonomy built upon trust (Oketch, 2013). This theory is applicable in this study in the context that the Internal Audit reports assist the Management in making decisions that ultimately leads to the improvements of the shareholder's value.

## 2.9 Empirical Studies

Some empirical studies have been done on this subject matter in some Countries of the world. Mihret and Yismaw (2007) did a study entitled Internal Audit Effectiveness: An Ethiopian Public Sector Case Study. The study which used various data collection instruments discovered that certain factors such as Internal Audit quality, support from management, and risk management function strongly affect effectiveness of Internal Audit while Organizational Structure and Internal Auditor's attributes have less impact on the same variable.

In a study carried out by Ahmad, Othman & Jusoff (2009) on effectiveness of Internal Audit in Malaysian public sector in which simple percentage was used as the tool for data analysis, they found that inadequate audit staff was a major impediment to effective Internal Auditing. One of the major limitations of the study was a narrow scope.

Arena and Azzone (2015) in their study entitled 'identifying organizational drivers of Internal Audit effectiveness in Italy' with the use of 153 Italian Companies and survey method, found that characteristics of the Internal Audit team, the Audit processes and activities as well as organizational links influenced effectiveness of internal audit.

Furthermore, (Sharifah Nazatul Faiza Syed Mustpha Naz, 2019) studied 'effectiveness of Internal Auditing: An Empirical Examination of its Determinants in Israeli'. With the use of questionnaire and mail survey of 292 organizations, the study identified management support, especially in relation to provision of proficient internal Audit staff, career development and independence of Internal Auditors as vital to the effectiveness of internal Audit. In another study conducted by Theofanis, Drogalas and Giovanis (2011) also cited by (Sharifah Nazatul Faiza Syed Mustpha Naz, 2019) on the 'relationship between elements of Internal Control system and Internal Audit effectiveness' with the use of 52 Hotels in Greek through mail survey, the results reveal positive relationship between the variables. However, they suggested that with larger samples the outcome of the study might differ significantly from their own.

More similar study was done in Zimbabwe was focused on the usefulness of internal control system in ZETDC on service delivery with regards to the period 2009 to 2012. The target population for the study consisted of ZETDC staff members estimated at 5,000 inclusive of board members. A sample of 100 staff members was selected using multistage random sampling to

ensure a fair representation of all hierarchical levels of staff in ZETDC on the iv sample. Data was collected through a survey questionnaire which was distributed to staff members in ZETDC including board members. A 55% response rate was obtained from the distributed questionnaires. The major findings were that ZETDC has an internal control system that is company devised with some elements of a good internal control system, which however are not modelled along any known frameworks. The internal control system was found to be regularly breached as evidenced by common activities such as assets abuse, electricity bill adjustments and illegal power connections. These internal control breaches negatively affected service delivery in that service provision in many instances was substandard, was not done, was delayed and cost more. ZETDC faced stiff resistance as a major challenge in implementing internal control systems, furthermore, it lacked the strategy to implement internal control systems. The research concluded that ZETDC had an ineffective internal control system that resulted in poor service delivery. It is recommended that ZETDC should adopt the COSO framework on internal controls to enhance its internal control system

Since many of the studies were done in Countries other than Zimbabwe, with obvious cultural and environmental differences as well as contrasting findings, the one which was done in Zimbabwe was not on Internal Audit function, rather was on internal control system which is a factor to internal Audit function. To that effect, it becomes necessary for a similar study to be carried out in Zimbabwe public sector. Furthermore, with reference to the poor rating of Zimbabwe Public Sector by the Transparency International in terms of corruption indices and mismanagement, a study on effectiveness of internal Audit becomes not just necessary but imperative. As we know, sound Internal Audit practice is the bedrock for corporate transparency.

## **2.10 Conceptual Framework**

In trying to evaluate the “Effectiveness of Internal Audit in Public Sector” as mentioned (Onoja, 2013) , with particular attention to ZETDC, a conceptual framework was developed premised on the reviewed literature on factors that may have an effect on the effectiveness of Internal Audit for both Private and Public Enterprises. Figure 2.3 depicts the relationships between these variables.

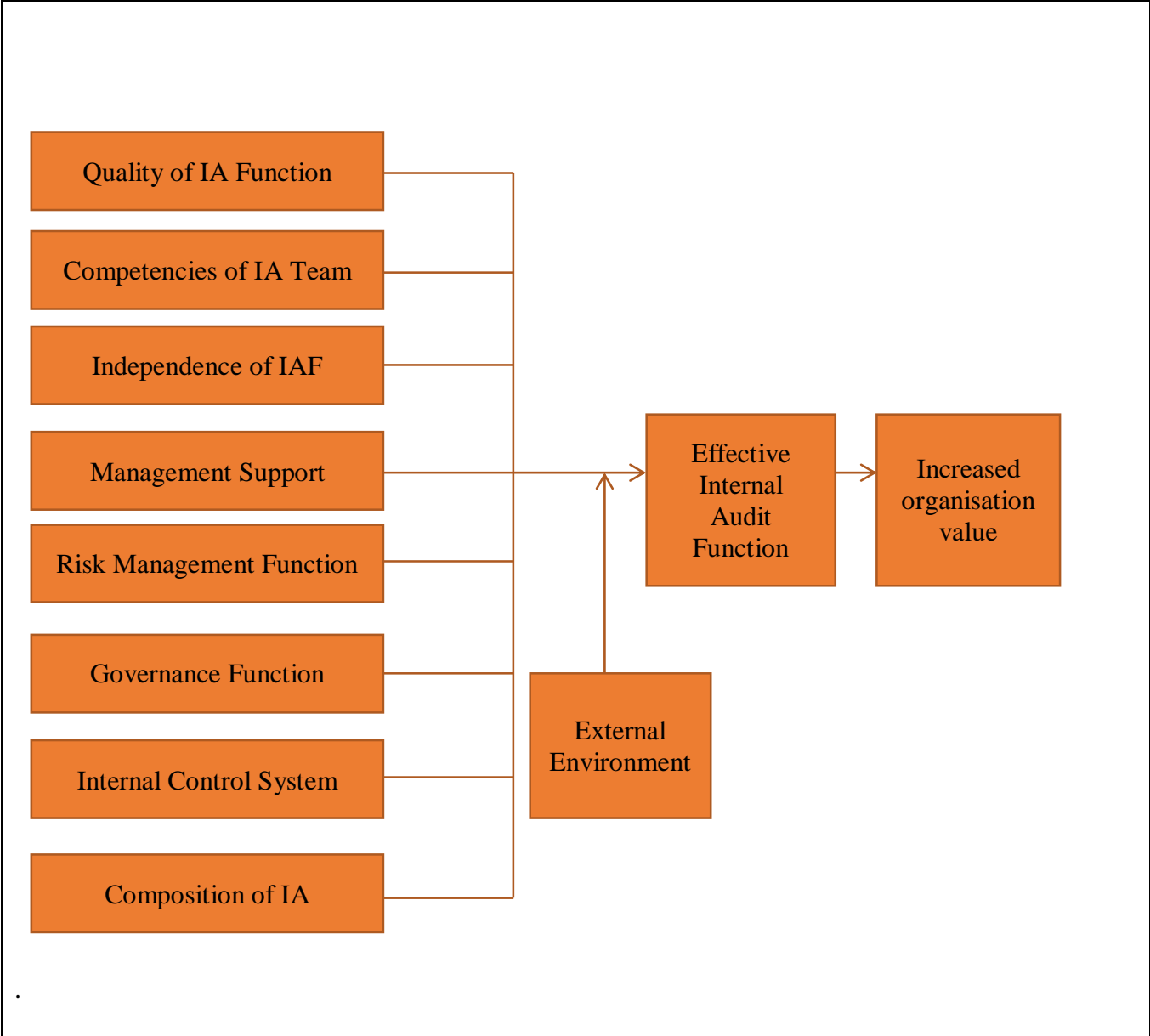


Figure 2:3. *The conceptual framework (Informed by Reviewed literature)*

In this conceptualized model, “the effectiveness of the Internal Audit Control” (Latifah Algabry, 2020) is the function of quality of the IA function, competencies of the IA team, independence of IA function, management support, governance function, internal control system and the composition of IA .

## **2.11 Chapter Summary**

This chapter reviewed the literature on internal Management support, Internal Audit independence, competency ,adequacy in relation to Internal Audit effectiveness and overall organizational performance of organizations. The literature had mixed findings and results, the basis on which the Researcher was motivated to conduct studies to determine the effectiveness of IAF on Organizational performance through a number of objectives which include the impact of management support, Internal Audit competency and staff adequacy and internal auditor's independence on IAE. The next chapter will look at how the research was conducted in order to address the issues of IAE and Organizational performance



## CHAPTER 3: METHODOLOGY

### 3.0 Introduction

The Chapter (methodology) presents overall methodology employed in this study. It gives research philosophy, design, approach, strategy, target population, sample and sampling procedure, research instruments, data collection procedures, ethical considerations, reliability and validity, data presentation and analysis procedures as well as the chapter summary.

### 3.1 Research Philosophy and Paradigm

(Pranas Žukauskas, 2018) cited Saunders, Lewis and Thornhill (2015) who stated that Research philosophy can be defined as the development of research adoption, appreciation and, and antonyms. Scientific research philosophy is a method which, when applied, allows the scientists to generate ideas into knowledge in the context of research (Pranas Žukauskas, 2018). According to (Pranas Žukauskas, 2018) there are four research philosophy that are distinguished and discussed in the works by many authors: the realistic, positivist, interpretivist and pragmatist.

#### 3.1.1 Realism

According to (Pranas Žukauskas, 2018) realistic research philosophy is based on the principles of positivist and interpretivist research philosophies. Realistic research philosophy is concerned with bring our facts.

#### 3.1.2 Pragmatism

(Pranas Žukauskas, 2018) stated that Pragmatism deals with ideas that have been proven. It aims at pinpointing on problems. (Pranas Žukauskas, 2018). Researchers can make choices the methods, techniques, and procedures that best meet their needs and Scientific research aims. (Pranas Žukauskas, 2018) explained that the philosophy concludes that Researchers will not agree. The truth is what is currently in action; it does not depend on the mind that is not subject to reality and the mind duplicity.

### **3.1.3 Interpretivism**

Interpretivist research philosophy is when a researcher states that, on the basis of the principles, it is not easy to understand the social world (Žukauskas, et al, 2018). Interpretivist research philosophy says that the social world can be interpreted in a biased manner . (Pranas Žukauskas, 2018) gives greatest attention to understanding of the ways through which people experience learn to understand information form different social norms .. According to this research philosophy, the research is based and depends on what the researcher's tries to achieve. (Pranas Žukauskas, 2018).

### **3.1.4 Positivism**

Positivist research philosophy according to (Pranas Žukauskas, 2018) is the opposite of interpretivist research philosophy. It claims that the social world can be understood in an way in an objective way . In this research philosophy, the scientist is' an objective analyst and , on the basis of it , dissociates himself from personal values and works independently (Pranas Žukauskas, 2018)

Fambisayi (2019) stated that positivism paradigm is the belief that knowledge is only valid if developed by testing the hypothesis by data collection and interperetation of the theory. This philosophy enabled the researcher to be able to employ quantitative methods of data collection and data analysis to critically establish the status quo at ZETDC with regards to internal audit. By using this philosophy, the researcher was able to curb the researcher bias that could emanate in data collection and interpretation.

## **3.2 Research Approach**

According to Castellan (2010) there are two main approaches in research quantitative and qualitative approach. (Cleophas Omariba Oyaro, 2016) mentioned that Quantitative research methods are methods that deals different ways of investigation of phenomena and their relationships. It answer questions on relationships with an intention to explain, predict and control a phenomenon.

On the other hand, qualitative approach is a method of inquiry used in many different disciplines in the academic world. As an approach, it is sunk in a philosophical position which is broadly

interpretivist as it is concerned with how the social world is interpreted, understood, experienced or produced (Collis, 2010). It shares anti-positivistic set of basic beliefs or paradigms.

For this study, the researcher employed quantitative approach as the most suitable since the objective is to establish the Internal Audit practices, level of compliance, challenges and its weaknesses at ZETDC, given these objectives quantitative approach was employed for its advantages such as objectivity, preciseness, definitive and standardization. Quantitative approach enabled the research to measure the level of practice of the Internal Audit function.

### **3.3 Research Design**

Research design sheds light on what the researcher wishes to do in technical terms (Cooper & Schindler, 2013). In real sense, research design can be viewed as general plan that lays out a set of ideas by which the study proceeds to answer research questions (Kumar 2015). Yilmaz (2013) concurs that research design is a conceptual structure in which a research would be conducted. Therefore, research design is a structure or a plan how to carry out a research. Research can take any design depending with the purpose and objectives of the study. Zakari (2012) discussed twelve designs that are common in research and they include; exploratory design, historical design, explanatory (casual) design, experimental design and descriptive, just to mention but a few.

#### **3.3.1 Exploratory design**

Exploratory design helps in the understanding of the problem and it tackles new problems with which there are no previous studies or where little research has been done. Explanatory research is done in order to provide better understanding of the situation under study but however, not coming up with the conclusive answers to the problems. Exploratory design is usually used when the research problem is in the preliminary stage and when the topic is new and it is usually performed through literature search and in depth interviews (Zakari, 2012).

#### **3.3.2 Experimental design**

A plan of the procedure that enables the researcher to maintain control over all factors that may affect the result of an experiment. In doing this, the researcher attempts to determine or predict what may occur. Experimental research is often used where there is time priority in a causal

relationship (cause precedes effect), there is consistency in a causal relationship (a cause will always lead to the same effect), and the magnitude of the correlation is great. The classic experimental design specifies an experimental group and a control group. The independent variable is administered to the experimental group and not to the control group, and both groups are measured on the same dependent variable. Subsequent experimental designs have used more groups and more measurements over longer periods. True experiments must have control, randomization, and manipulation (Zakari, 2012).

### **3.3.3. Explanatory (Casual) design**

Explanatory research seeks to investigate the cause-and-effect relationships between variables under study and the researcher will have to test hypotheses of the study to establish the relationship between variables (Zakari, 2012). Causality studies may be thought of as understanding a phenomenon in terms of conditional statements in the form, "If X, then Y." This type of research is used to measure what impact a specific change will have on existing norms and assumptions. Most social Scientists seek causal explanations that reflect tests of hypotheses. (Zakari, 2012).

### **3.3.4 Descriptive design**

Descriptive research designs help provide answers to the questions of who, what, when, where, and how associated with a particular research problem; a descriptive study cannot conclusively ascertain answers to why. Descriptive research is used to obtain information concerning the current status of the phenomena and to describe "what exists" with respect to variables or conditions in a situation (Zakari, 2012).

For this study, the researcher adopted the descriptive design with the aim to establish the status quo in ZETDC with regards to Internal Audit. So the researcher wanted to establish the 'what' component. What is the status quo? What are the challenges and weakness of the status quo in ZETDC? This design enabled the researcher to observed practice of Internal Audit in a completely natural and unchanged natural environment. The design enabled the research to have data which can act as a pre-cursor to more quantitative research designs with the general overview giving some valuable pointers as to what variables are worth testing quantitatively. For example, other design which may need to establish the casual relation can be employed after establishing the current practice. The design also assisted the researcher to be more focused study. By this design

rich data was obtained and it also enabled the researcher to obtain large amount of data for detailed analysis on Internal Audit practices.

### **3.4 Research Strategy**

Rahi (2017) define research strategy as a process of collecting and interpreting data with clear objectives. The research strategy can be taken as a general plan regarding the way the researcher goes about answering research questions. There are many strategies that be used for data collection which include surveys, experiments, ethnography, case studies, action research and grounded theory.

For the purpose of this study, the research adopted a survey strategy, since a huge amount of data was required to establish the current practices relating to internal audit, the challenges and weakness so as to have robust recommendations. Also this design enabled the researcher to curb researcher bias since there was no direct influence of the researcher in data collection.

### **3.5 Population and Sample size**

#### **3.5.1 Population**

Research population refers to the entire group of members, or subjects of interest upon which the study is based or is carried out. For this research, ZETDC workforce from Audit, finance and risk management constituted the population. According to ZETDC establishment strength ZETDC audit, finance and risk management functions nationwide comprise of 550 workers including the management. For studies of large population like this one, it is necessary to select a representative sample of the population whose characteristics can be used as a representation for the whole population.

#### **3.5.2 Sample Size and sampling**

Cooper and Schindler (2013) describe the sample as a smaller set of the larger population whose choice of sample size is governed by the confidence you need to have in your data, level of certainty, the accuracy you require for any estimates made in your sample, the type of analysis you are going to undertake and finally the size of total population from which your sample is drawn.

Since the population was finite and its size is known, the Yamane's formula was used to determine the sample size. The computation of sample size was done as follows:

$$n = N / (1 + Ne^2)$$

$$n = 550 / (1 + 550 (0.05^2))$$

$$n = 550 / 1.4$$

$$n = 392.8$$

$$n = 393$$

Thus sample size was 393 respondents.

Where

n = corrected sample size, N = population size, and e = Margin of error (MoE), e = 0.05 based on the research condition.

For the purpose of this study 95% was considered as the level of confidence and only 5% as the margin of error. The use of formula reduced the researcher bias so as to have represented sample. This has enhanced the reliability of the study such that the findings can rich to be generalised to the entire Parastatals.

### **3.6 Sampling Technique**

Locke, et al, (2010) suggest two main sampling techniques which are probability and non-probability sampling. Probability sampling method is when a predetermined statistical formula is employed to select the sample. The probability sampling methods can be considered as simple random, systematic, stratified and cluster. According to Taherdoost (2016) non probability sampling is often associated with case study research design and qualitative research. Non-probability sampling procedures include convenience sampling, purposive sampling and quota sampling (Locke, et al, 2010). For this research, the probability sampling was adopted because of its representative nature of the sample population to the target population which increases reliability of the outcomes and eases bias of outcomes because of its randomness. A stratified simple random sampling method was used by the researcher to select so as to give each employee from different strata's equal chance of being selected hence eliminating bias. According to Taherdoost (2016) stratified sampling is where the population is divided into strata (or layers) and a random sample is taken from each subgroup. This technique may also allow the use of inferential

statistics that permits generalizability of outcomes to a larger population. The table 3.1 give the distribution of the employees by their strata.

**Table 3:1 Distribution of the employees by their levels in the organisation.**

<b>Company</b>	<b>Number of employees</b>	<b>Number of sample</b>
Shopfloor workforce	377	262
Functional level management	90	70
Middle level management	50	40
Senior level management	28	18
Executive level management	5	3
Total	550	393

**Source: Survey 2020**

### **3.7 Research Instrument**

A questionnaire was used for primary data collection. Secondary data was collected from companies' publications and other sources of secondary data. The questionnaire was pretested for validity. Its reliability was enhanced and measured. The researcher used a self-administered questionnaire. The use of questionnaires assisted the researcher to avoid the problem of researcher bias since there was a uniform question presentation and no middle-man bias. The researcher's own opinions do not influence the respondent to answer questions in a certain manner and once more, there are no verbal or visual clues to influence the respondents (Saunders et al, 2016).

#### **3.7.1 Pilot testing the questionnaire**

The researcher pilot tested the questionnaire on a small proportion (ten respondents) of the sample. According to Johnson and Christensen (2012) pilot testing means testing the research instrument on a miniature portion of the sample in order to detect and correct flaws and limitations in the instrument. Pre-test was done to test the wording sequence, layout of questions as well time required to complete the instrument. Specific problems that were faced with questions content included misinterpretation of the terms, concepts and the meaning of the phrases for example, corporate governance, firm performance, and effectiveness. To alleviate these problems, the

researcher had to clarify the meanings to the respondents on the questionnaire. Zakari (2012) posit that questionnaire should be checked for some formatting problems because they result in loss of important information. As such, pilot study was conducted to improve validity of the instrument.

### **3.8 Data Collection Procedure**

To ensure proper administration of research instruments and collection of data from participants under study, the questionnaires were emailed the respondents using their personal emails. Since the researcher was an employees of ZESA holdings this had enabled her easy acceptance by the respondents. Initially the authority was sought from the responsible authority through the use of Graduate School Management letter. Questionnaires reduce researcher bias as well maintaining confidentiality of the respondent. After the collection of completed questionnaires, data was filtered and entered into an excel template before being transferred to SPSS template for analysis.

### **3.9 Data Analysis**

Received data from respondents was coded first. A data entry template was designed and subsequently all the data was captured and cleaned to remove inconsistent responses. Questionnaires were initially given codes for all responses and all poorly answered questionnaires were not being considered for analysis. Data entry was done using the Statistical Package for Social Sciences (SPSS) and analysed using descriptive statistics and regression analysis. The information obtained from the data was presented using tables, graphs, and charts for the easy comparison and clear projection of the situation. These findings are presented in chapter four, together with detailed discussions.

### **3.10 Reliability and Validity**

#### **3.10.1 Validity**

Validity focuses on research instruments as to whether the instrument used has answered what it is supposed to answer. Saunders et al (2016) pointed out that the term validity means that an instrument measures what it is intended to measure and that it measures it correctly. To ensure validity the researcher worked closely and got assistance from the supervisor. The researcher also consulted specialists in the field of psychology as well as business people to ensure that the instruments used answer what they were intended to.



### **3.10.2 Reliability**

Reliability mainly measures the extent to which the measures taken by a particular instrument can be repeatable. A pilot study was conducted to check the appropriateness of the questionnaire in order to get reliable data from respondents. The study was conducted using 10 respondents. Aspects such as wording of the questionnaire were checked during the pilot study to minimise ambiguity. Cronbach's alpha was used to test for consistency.

### **3.11 Ethical Considerations**

Ethics can be defined as philosophy concerning human conduct, relating to rightness or wrongness of certain actions (Saunders et, al, 2015). Thereby being ethical is determining what is wrong and what is right and making a choice based on what is right or acceptable in that field or in society. The research was conducted responsibly in light of legal and moral order of the society.

The researcher used voluntary participation to ensure that respondents were not coerced or forced to participate in research. Participants also had the right to information if they needed clarification on issues they were allowed to ask. Privacy and confidentiality was also an aspect considered making sure that information provided by the respondents will not be made available to anyone who is not directly involved in the study. There was anonymity of respondents and confidentiality of disclosure. There was no personal identification which was put on the questionnaire or interview guide which might have threatened the respondents. Participants were ensured that information acquired will only be used for academic purposes. The researcher ensured that relations within the organisation were not be disturbed and the researcher also expressed gratitude to all the respondents for taking their time to participate in the research.

### **3.12 Chapter summary**

This chapter presented the research methodology which encompasses the research approach, research design, the target population, sample size and the sampling procedure. The instrument that was used to gather data was also discussed as well as the data collection and data analysis processes. Finally, the researcher pointed out the ethical considerations that she upheld during and after the conduct. The next chapter looks at data analysis and data presentation.

## CHAPTER 4: DATA PRESENTATION AND ANALYSIS

### 4.0 Introduction

The chapter presents the findings of the research and discussion of the findings. The findings are based on research questions asked. Chapter 4 forms the foundation for the research conclusions and recommendations. These findings are discussed in relation to the empirical studies in the literature review thereby making a cross reference. This study sought to answer the following questions of the research;

1. What are the Internal Audit procedures that are currently in place in ZETDC?
2. Does ZETDC implement and follow the precepts of the Internal Audit function?
3. What are the challenges being faced in implementing Internal Audit function in ZETDC?
4. What are the weaknesses of the Internal Audit function in ZETDC?
5. Which Factors that can be considered to improve of Internal Audit function at ZETDC?

### 4.1 Reliability Testing

Cronbach's alpha coefficient was employed to test survey's reliability. The coefficient measures the level of how strongly associated a set of objects are as a group which is known as internal consistency.

*Table 4:1 Reliability*

Reliability Statistics			
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	Based on	No of items
.778	.783		41

Source: Survey 2020

As shown by table (4.1) above the overall coefficient achieved in this survey was 0.778 before standardisation and 0.783 after standardising. The coefficient achieved is above 0.65 and below 0.95. According to George et al (2015) the acceptable values of Cronbach Alpha range between 0.65 and 0.95. Therefore, the study instrument passed the reliability test and the study proceeded to analyse data. The internal consistency was gained through pretesting of the questionnaire as obscurities noted during this phase were attended to.

## 4.2. Questionnaire response rate

### 4.2 Response Rate

**Table 4:1 Response Summary**

<b>Level at work</b>	<b>Targeted sample</b>	<b>Actual respondents</b>	<b>Response Rate</b>
Shopfloor workforce	262	233	<b>59%</b>
Functional level management	70	63	<b>16%</b>
Middle level management	40	37	<b>9%</b>
Senior level management	18	14	<b>4%</b>
Executive level management	3	2	<b>1%</b>
<b>Total</b>	<b>393</b>	<b>349</b>	<b>89 %</b>

*Source: Research data (2020)*

The table 4.2 shows the distribution of the response rate for the questionnaire. 393 questionnaires were distributed to respondents, 349 were returned fully completed to give a response rate of 89%. The remainder, 21 of them were not returned and 23 were discarded and all were considered not returned.

The researcher had left room for errors and non-responses hence the discarded questionnaires did not affect the study expectations. The 89% response rate was satisfactory to provide the researcher with an adequate sample to carry out the study. Rowland et al (2016) indicate that response rate below 50% are questionable whilst response rate above 65% are good, and those above 85% are excellent. Thus, with a response rate of 89% the study's reliability was observed.

### 4.3 Demographic Information

This section outlines the background of respondents in the following arrangement; gender, age, experience with the organisation, job category and highest level of education. These attributes were seen relevant to the study.

#### 4.3.1 Respondents by Gender

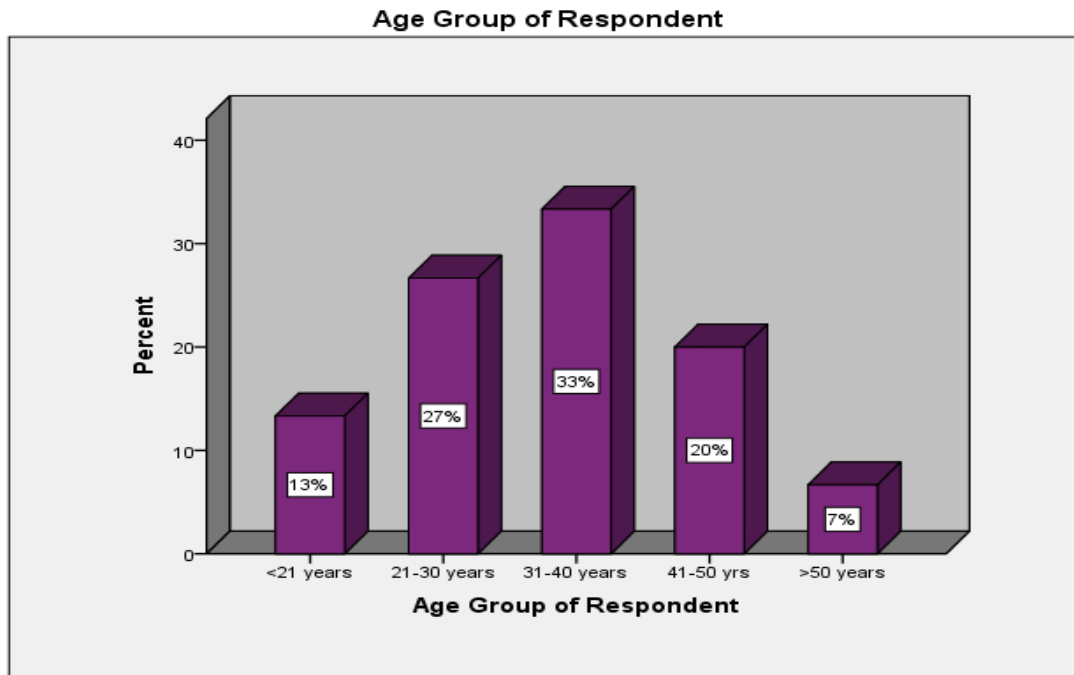
**Table 4:2 Gender**

	Frequency	Percent
Female	165	42
Valid Male	184	58
Total	349	100

**Source: Survey 2020**

The table (4.3) shows that there were 349 individuals who participated in the study. About 42% of them were female and 58% were male. This finding is in tandem with the study by Tapiwa (2013) conducted in the Zimbabwe Parastatals where 67% of the respondents were male and 33% were female.

### 4.3.2 Respondents by Age



**Figure 4:1** Age group distribution Source: Survey 2020

The above figure (4.1) shows the age of the respondents. The age that is between 31 -40 years constituted the greatest percentage (33%) followed by the age range 21-30 years which constituted about 29%. The age range 41-50, less than 21 and 50+ years constitute 20%, 13% and 7% respectively. The demographic show a normal distribution where active age dominates the workforce (ZETDC Annual Report, 2016). It also indicates that there is few incoming young employees in ZETDC, this may be as a result of the freeze which was imposed by the government on all government departments, State Enterprises and Parastatals (Circular No.26 of 2012).

### 4.3.3 Respondents' level of education

*Table 4:3: Highest level of education*

		Frequency	Percent
Valid	"O"level	45	13
	Diploma	192	55
	First Degree	84	24
	Master's degree	17	5
	PHD	11	3
	Total	349	100

**Source: Survey 2020**

Table 4.4 above shows that the respondents who have 'O' Level constitute 13% of the total respondents while the holders of diploma and first degree constitute 55% and 24% respectively. Holders of master's degree and PHD constitute 5% and 3% respectively. The distribution shows a normal distribution skewed to learned personnel. From the above table, the researcher came to a conclusion that most of respondents' who participated in this study are learned enough to consider rational contribution. The findings are in congruent with the ZETDC Human Resources Report (2018) which shows that most of their employees are professionals.

### 4.3.4 Functional Departments

*Table 4:4: Functional Departments of the respondents*

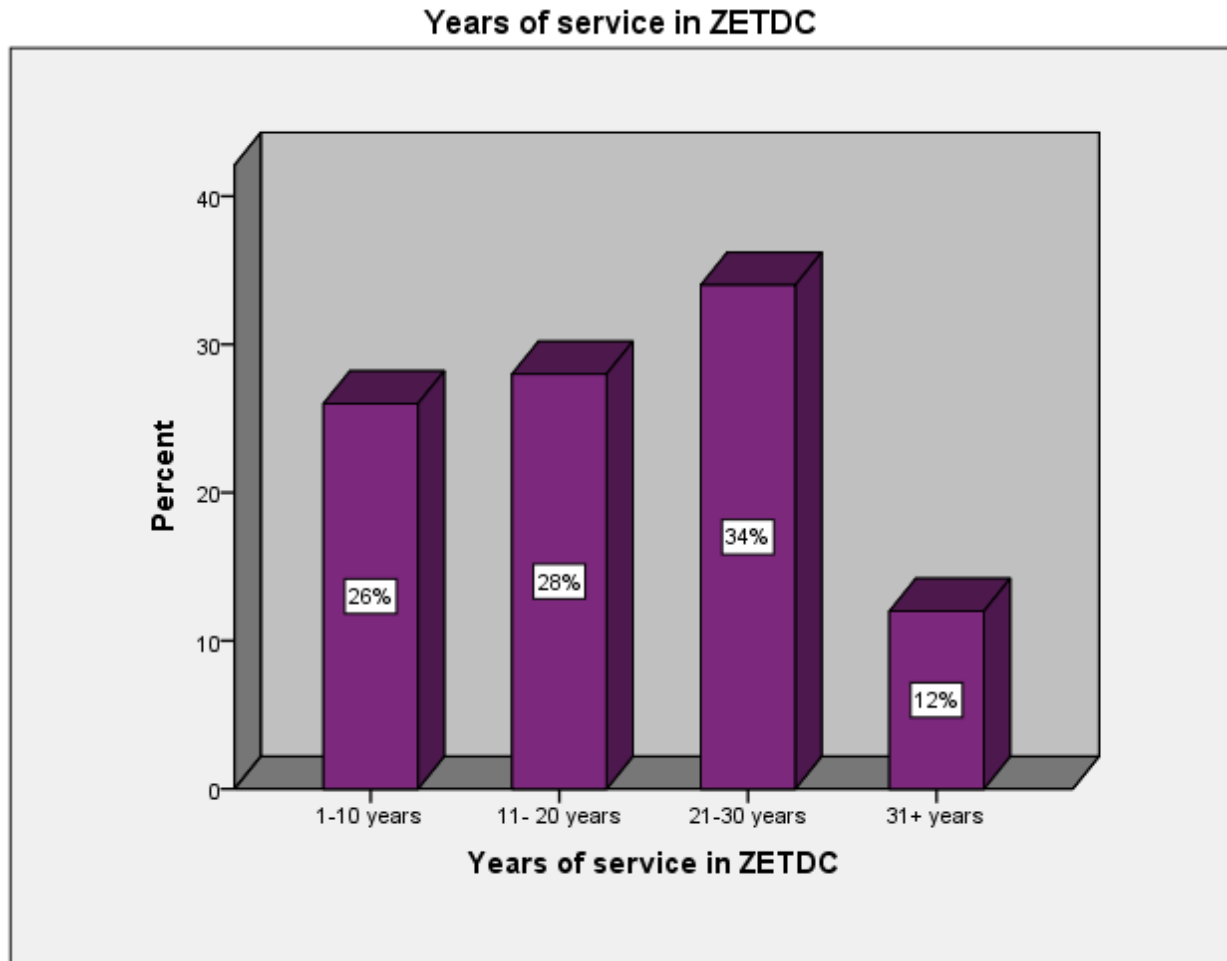
		Frequency	Percent
Valid	Auditors	105	30
	Finance	181	52
	Risk management	63	18
	Total	349	100

**Source: Survey 2020**

Table 4.5 above shows that 30% of the respondents were auditors 52% were from finance, 18% were from Risk Management. These shows that relevant positions in the companies were covered

hence reliable information was collected for the study. Again it suggests that finance constitute the bulk of the sample.

#### 4.3.5 Respondents' year of service in ZETDC



*Figure 4:2: Years of service in ZETDC*

Figure 4.2 above shows that majority 34% of the sample spent 21 to 30 years serving Zimbabwe Electricity Distribution Company (ZETDC). This is followed by a significant number of 28% who served for a period of 11 to 20 years in the organisation. About 26% of the respondents served 1 to 10 years in ZETDC and a fewer number of respondents, 12% served for more than 31 years. The sample shows a normal distribution of experience of the ZETDC workforce. Therefore, it shows that the participants have a considerable working experience with ZETDC to give valid responses for the research.



#### 4.3.6 Position in the Organisation

*Table 4:5 Positions of Respondents in the Organisation*

Level at workplace	Frequency	Percent
Executive	2	1
Senior Management	14	4
Middle Management	37	11
Functional level management	63	18
Shop floor workforce	233	66
Total	349	100

**Source: Survey 2020**

The table 4.6 above indicates that the majority of participants (respondants') (66%) are Shop floor workforce, followed by the functional management and middle management with 18% and 11% respectively. Senior management constitute 4% while the executive management has the least number of respondents (1%). The representation of the sample followed the pyramid shape of the normal organisation which indicate that number of workforce decreases as you move upwards. The sample replicate a normal distribution of an organisation since a stratified sampling was used.

#### 4.4 Research Survey Analysis

To achieve the above mentioned objectives, the researcher employed descriptive analysis and inferential analysis. Descriptive analysis is concerned with the development of certain indices from the raw data whilst inferential statistics is concerned with inferring more information from the sample data. The study used mean as a measure of central tendency and standard deviation as a measure of variation or dispersion. Mean is the average and standard deviation shows how respondents varies from the neutral view. These measures have been calculated based on SPSS coding of responses. Responses were based on 5-point modern Likert-scale ranging from 1 to 5 , 1 to represent strongly disagree, 2- disagree, 3- neutral, 4- agree, and 5- strongly agree.

##### 4.4.1 The legal Internal Audit procedures which are currently in place in ZETDC

Respondents were asked questions on the status quo concerning Internal Audit procedures at ZETDC. Below is the presentation and interpretation of results.

*Table 4:6: Legal framework of Internal Audit which are currently in place in ZETDC*

**Source: Survey 2020**

<b>Descriptive Statistics</b>			
<b>Internal Audit procedures which are currently in place in ZETDC</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
There is a policy document on internal auditing	100	4.29	.156
There is a well-articulated Internal Audit scope at our organisation	100	4.22	.181
The objectives of Internal Audit function are clearly stated in our organisation	100	4.06	.018
Positions of officers who are responsible for carrying out Internal Audit are defined	100	4.02	.210
There is a proper plan on the Internal Audit process	100	3.03	1.067
There is an fieldwork guide meant to guide auditors through what needs to be done throughout an Internal Audit and how to document the entire thing	100	3.01	.335
Reporting framework that outlines what needs to be included in the report and how to go about it is in place	100	3.69	.077
Guidelines which outline when and how an auditor should perform a follow-up.	100	3.99	.069
Valid N (listwise)	100		

The table 4.7

shows that the respondents strongly agree that there is a policy document on internal auditing, extent of the Internal Audit work is well articulated in the policy, the objectives are clearly stated and positions of officers responsible for carrying out Internal Audit are defined as illustrated as illustrated by (M=4.29, SD=0.156), (M=4.22, SD=0.181), (M=4.06, SD=0.018) and (M=4.02, SD=0.210) respectively. The standard deviations which are less than one shows that the views of the respondents are not varying, the arguments are collectively regarded. These findings support the view by Onger et al, (2005) which state that the internal control function should out rightly follow policies, plans procedures, laws and regulations, of the company's operations for it to be effective.

The table 4.8 also shows that the respondents agree that there is a proper plan on the Internal Audit process, there is a fieldwork guide meant to guide auditors, there is a reporting framework guide and guidelines which outline when and how an auditor should perform a follow-up as illustrated

by (M=3.03, SD=1.067), (M=3.01, SD=0.335), (M=3.69, S=0.077) and (M=3.99, SD=0.069) respectively. The standards diaviations which are less than one shows that the views of the respondents are not varying, the arguments are collectively regarded, save for the statement that “There is a proper plan on the Internal Audit process”. This suggests that some of the respondents are challenging the way how Internal Audit process is being done, however their number is insignificant. In summary, it shows there is adequate legal and guiding framework to follow when conducting Internal Audit process. Institute of Internal Audit, (2001) state that there must be adequate legal framework to guide the operations of audit function. This means at ZETDC there is adequate legal framework to guide all audit functions.

One sample test was done to test the arguments on the adequacy of the legal framework as to test the hypothesis. Rationale of the test was based on the views’ scoring. The neutral point is 3.0 being average views and the results obtained are explained below.

**Table 4:7: One Sample statistics**

<b>One Sample Statistics</b>				
	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>Std Error Mean</b>
<b>Grouped arguments on the adequate legal framework for Internal Audit function</b>	100	3.281	.264	.044

**Source: Survey 2020**

The on sample statistics table above denotes that average view (3.281± 0.264) is above the sample 'neutral' view of 3.0. A one-sample t-test table give a detailed explanation in testing the statistical significance of the above results.

**Table 4:8 One Sample Test**

<b>One-Sample Test</b>						
	Test Value =3					
	T	Df	Sig,(2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
<b>Grouped arguments on the adequate legal framework for Internal Audit function</b>	11.987	99	.000	0.64	1.15	1.25

**Source: Survey 2020**

As alluded before, the test statistic table (4.9) shows the results of the one-sample *t* test. Mean view ( $3.057 \pm 0.106$ ) is above than the required standard view of 3.0. Table 4.5 supports that the argument is statistical significant since  $p = 0.000 < 0.05$ . This suggest that, it is statistically significant that there is adequate legal and guiding framework to follow when conducting Internal Audit process. According to (Onoja, 2013) one of the reasons for ineffectiveness of internal auditing in the Parastatals management is absences of legal framework to be followed when performing the audit function. This study statistically refutes this argument stating that there is adequate legal framework to be followed at ZETDC.

#### 4.4.2 The extent to which the Internal Audit procedures being implemented in ZETDC

To assess if the Internal Audit procedures are being implemented in ZETDC, different questions were asked from the respondents to solicit their views. The analyses are illustrated on table 4.6 below.

*Table 4:9: The precepts of the Internal Audit function warrants effectiveness*

Source: Survey 2020

Descriptive Statistics			
The precepts of the Internal Audit function warrants effectiveness	N	Mean	Std. Deviation
Our Internal Audit function encompasses the role of risk management	100	3.07	.172
Our Internal Audit function works together with management in evaluating and improving effectiveness of corporate governance.	100	3.03	1.008
Our Internal Audit function always works with the management in monitoring, evaluating and improving effectiveness of internal control systems created by management.	100	3.02	1.205
Our Internal Audit function staff has technical competencies required to carry out their tasks	100	3.73	.061
Our Internal Audit function staff has personal competencies (attitude) required to carry out their tasks	100	2.05	.145
Our management control system has designed to make sure that employees perform duties as expected by their Organisation	100	3.01	0.063
Our Internal Audit activities are independent to retain its functional objectivity	100	1.05	.145
Our Internal Audit professionals is independent to retain its functional objectivity	100	1.01	.063
Valid N (listwise)	100		

M =

Mean, SD = Standard Deviation

Table 4.10, above shows that the respondents agree that Internal Audit function encompasses the role of risk management; Internal Audit function staff has prerequisite technical competencies for their tasks, and management control system has designed to make sure e that employees perform duties as expected by their Organisation as illustrated by (M=3.07, SD=0.172), (M=3.73,

SD=0.061) and (M=3.01, SD=0.063) respectively. The smaller the standard deviation shows that the respondent have collective views towards the statements. The findings suggest that Internal Audit function is taking the component role of risk management with prerequisite competencies staff. Arena and Azzone (2015) view internal auditing as a value adding function to an organization which should embraced value addition approach by changing their activities and extending their involvement in risk management, control, and governance processes. The findings of this study supports this assertion.

The table (4.10) also reveals that the respondents agree that Internal Audit function works together with Management in evaluating and improving effectiveness of corporate governance and it works with the Management in monitoring, evaluating and improving effectiveness of internal control systems created by management as illustrated by (M=3.03, SD=1.008) and (M=3.02, SD=1.205) respectively. The higher the standard deviation shows that the respondents' views are varying, there is a divergence support towards the statement but those who are support outnumbered those who go against. This suggests that Internal Audit function works together with Management in evaluating and improving effectiveness of corporate governance and it works with the management in monitoring, evaluating and improving effectiveness of internal control systems created by management, however, not on all circumstances do Internal Audit function are in agreement with they may deviate with the Management's thinking. These findings support Enofe, Mgbame, Osa-Erhabor and Ehiorobo (2013) and (Sharifah Nazatul Faiza Syed Mustpha Naz, 2019) who state that 'the aim of internal auditing is to improve' Organizational 'efficiency and effectiveness through constructive criticism' even with the Management. Findings also supports the extant literature which says, Internal Audit is an essential part of "the internal control system as created by Management of an Organization." (Adeniji, 2011) cited by (Onoja, 2013).

The above table (4.10) revealed that the respondents have a neutral view that Internal Audit function staff has personal competencies (attitude) required to carry out their tasks (M=3.02, SD=1.205). They also disagree that Internal Audit activities are independent to retain its functional objectivity and the professional is independent to retain its functional objectivity. The findings reveal that the staff from audit department sometimes lack personal attitude required in the field. Also their activities are not independent to maintain objectivity. Apart from activities,

the profession itself is not independent for objectivity. The Institute of Internal Auditors(2015) defines internal Auditing as an independent , objective assurance and consulting activity designed to add value and improve an Organisation’s operation. The findings of this study are in contrast to the demands suggested by Institute of Internal Auditors.

One sample statistics was done to weigh the views of the respondents to ascertain whether the way in which the Internal Audit function precepts implementation is above the board. The results are explained below.

**Table 4:10: One Sample Statistic**

<b>One-Sample Statistics</b>				
	N	Mean	Std Deviation	Std Error Mean
<b>Grouped views on the compliance with the Internal Audit functionprecepts</b>	100	2.495	.358	.032

**Source: Survey 2020**

Table 4.11. denotes that average view ( $2.495 \pm 0.358$ ) is skewed to below the sample 'neutral' view of 3.0. One-sample t-test was employed to test the statistical significance of the above results. The table below shows the results.

**Table 4:11: One Sample Test**

<b>One-Sample Test</b>						
	Test Value=3					
	T	df	Sig.(2-tailed )	Mean Difference	95% Confidence Interval	
					Lower	Upper
<b>Grouped views on the compliance with the Internal Audit functionprecepts</b>	10.343	99	.001	0.320	1.17	1.29

**Source: Survey 2020**

As stated above, test statistic table (4.12) shows the results of the one-sample t-test. Average view ( $2.495 \pm 0.358$ ) is skewed to below the sample 'neutral' view of 3.0. Table 4.12 supports that the argument is statistical significant since  $p = 0.001 < 0.05$ . This suggest that, it is statistically significant that the implementation of Internal Audit function precepts by ZETDC is far less than the standard, hence hypothesis that ZETDC is not complying with the precepts of the internal audit. This finding is in congruent with the findings by Choras (2012) in his study on effectiveness of internal control system in ZETDC. The study observed that several breaches of internal control systems.

#### 4.4.3 Challenges faced in the implementation of Internal Audit function

Respondents were asked to given their views in order to establish the challenges that are being faced in implementing Internal Audit function in ZETDC. Respondents' responses and analyses are illustrated on table 4.14 below.

*Table 4:12: Challenges faced in implementing Internal Audit function*

Source: Survey 2020

Descriptive Statistics			
Challenges faced in implementing Internal Audit function	N	Mean	Std. Deviation
Lack of audit staff is one of the impediments to effective internal auditing.	100	1.99	.181
There is lack of support from management in implementing Internal Audit function at our organisation	100	3.94	.018
Our organisation reporting structure pose some challenges when it comes to implementation of Internal Audit function	100	3.95	.020
Our audit function sometimes lacks resources such as finance, office equipment and stationery to implement their function	100	3.99	.089
There is also some kind of intimidation made to the Internal Audit function	100	3.91	.230
There is social discriminatory to internal audit	100	3.97	.445
There is a lack of proper plan in on the Internal Audit process	100	1.98	.263
Valid N (listwise)	100		

M =

Mean, SD = Standard Deviation



Table 4.13, above shows that the respondents agree that the the following challenges are being faced in implementing Internal Audit function; lack of support from management, reporting structure, limited resources, intimidation from internal and external stakeholders and social discrimination shown by (M=3.94, SD=0.018), (M=3.95, SD=0.020), (M=3..99, SD=0.089), M=3.91, SD=0.230) and M=33.97, SD=0.445) respectively. “The smaller the standard deviation shows that the respondents” views are not varying. The results suggest that management are not doing their role for the Internal Audit function to be functional effectively. Unegbu and Kida (2019) cited (Onoja, 2013) who points that “the main challenges faces in Public Institutions are due to the Reporting Structure and Internal Auditors” professional independence. He highlighted that most Chief Executives in Public Institutions are political officeholders, having no interests and leading to lack of commitment to Internal Audit reports. This study supports the assertion since most challenges obtain has something to do with top management commitment. It also supports by Shamsuddin et al., (2014) that Internal Auditors often are viewed negatively with the auditee in the Public Sector.

The table (4.13) also reveals that the respondents disagree that the Internal Audit is facing shortage of auditing staff (M=1.99, SD=0.181) and inadequacy of planning (M=1.98, SD=0.263) challenges. The smaller the standard deviation shows that the respondent have a collective perception. This implies that the the audit function at ZETDC is resourced with competent Internal Audit function staff who can plan their work appropriately, however, sometimes they lack proper attitude to perform as per expectations. These findings are in contrast with the view by Unegbu and Kida, (2011) who mentioned lack of competent Internal Audit function staff and improper planning as the major challenges of the public sector Internal Audit function.

One sample statistics was done to test the overall views of the respondents on the challenges being faced so as to ascertain whether they warrant a threats. The results are explained below by on sample statistics and on sample test.

Table 4:13: *One Sample statistics*

One Sample Statistics				
	N	Mean	Std Deviation	Std Error Mean
<b>Grouped views on problems being faced by ZETDC Internal Audit function</b>	102	3.390	.178	.133

Source: Survey 2020

The table 4.14 denotes that average view ( $3.390 \pm 0.178$ ) is above than the sample 'neutral' value = 3.0. The results indicate that there are challenges encountered by ZETDC Internal Audit function. One-sample t-test was conducted to test the statistical significance of the argument and the results are illustrated below.

Table 4:14: **One Sample Test**

One-Sample Test						
	Test Value = 3					
	T	df	Sig. (2-Tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
<b>Grouped views on the challenges being faced by ZETDC Internal Audit function</b>	6.546	99	.004	0.290	1.17	1.22

Source: Survey 2020

On average the views of respondents ( $3.390 \pm 0.178$ ) is above the neutral view 3.0. Table 4.15 above supports that the argument is statistical significant since  $p = 0.004 < 0.05$ . This suggest that, it is statistically significant that ZETDC Audit function is facing some challenges which deserve attention. Ruthenia, Vokshib and Hashani (2017) cited (Onoja, 2013) who states “that with the

increasing size and complexity of the Public Sector in recent years, the importance and challenges of internal Audit has also increased. ” This study findings support this assertion.

#### 4.4.4 Weaknesses of the Internal Audit function at ZETDC

This study also aims to identify weaknesses of the Internal Audit function at ZETDC. Respondents war asked to give their views it implore on the weakness aspect. The analyses of their responses are illustrated by table 4.17 below.

*Table 4:15: Weaknesses of the Internal Audit functionat ZETDC*

**Source: Survey 2020**

Descriptive Statistics			
<b>Weaknesses of the Internal Audit functionat ZETDC</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
Our Organisation has no Audit Manual being used by auditors when they perform their work	100	1.62	.221
The career of the auditors are valued below their counter parts in the accounting field and there is no growth prospects	100	4.73	.215
Our Audit Department reports directly to the CEO	100	3.89	.335
At our Organization there is no clear definition of the roles ,responsibilities ,rights and what Internal Auditors should not do	100	1.67	.222
Auditors are not adequately remunerated and provided with adequate office pre-requisites	100	4.11	.210
At our workplace there are reported cases resistance to Audit reports by threats to individual Auditors and also their properties	100	3.89	.435
Valid N (listwise)	100		

**M = Mean, SD = Standard Deviation**

Above table 4.16, denotes that the respondents strongly agree to the following statements, ‘The career of the auditors are valued below their counter parts in the accounting field and there is no

growth prospects' (M=4.73, SD=0.215) and 'Auditors are not adequately remunerated and provided with adequate office pre-requisites', (M=4.11, SD=0.210). This implies that ZETDC has the weakness that the audit career are being valued below their counter parts in the Accounting field and there is no growth prospects, also there not adequately remunerated considering their risks and the are not provided with adequate office reesources. It is also denotes that respondents agree that they report to the Group Chief Executive individual Auditors being threatened and also their properties . These are weaknesses that may jeopardise their functionality as postulated by Shamsuddin et al., (2014).

**Table 4:16: One Sample statistics**

<b>One Sample Statistics</b>				
	N	Mean	Std Deviation	Std Error Mean
<b>Grouped views on the weaknesses of the ZETDC Internal Audit function</b>	102	3.317	.273	.133

**Source: Survey 2020**

The table above denotes that average view (3.317± 0.273) is above the sample 'neutral' value = 3.0. One-sample t-test was conducted to test the statistical significance of the argument and the results are illustrated below.

**Table 4:17: One Sample Test**

<b>One Sample-Test</b>						
	Test Value=3					
	T	df	Sig.(2-tailed)	Mean Difference	95% Confidence Interval Difference	
					Lower	Upper
<b>Grouped views on the weaknesses of the ZETDC Internal Audit function</b>	9.436	99	.064	0.450	1.16	1.23

**Source: Survey 2020**

On average the views of respondents ( $3.317 \pm 0.273$ ) is smaller than the neutral view 3.0. Table 4.18 above indicate that there is no statistical evidence since  $p = 0.064 > 0.05$ . This suggest that, though weaknesses exist at ZETDC, it is not statistically significant. Hence the hypothesis rejected.

This suggest that though the weaknesses exists their impact are not that significant to mention as a factor to Internal Audit function operations. This suggests that the function is being affected more by challenges than weaknesses. Again, some of the challenges are the weakness, this implies that there are overlapping, thereby saying if one address the challenges automatically the weaknesses are being addressed. This findings is supported in literature where Rudhania, Vokshib and Hashani (2017) highlighted reporting to Chief Executive Officer as a challenge, Shamsuddin et al., (2014) mentioned it as a weakness of the organisation.

#### **4.4.5 Measures to improvement of Internal Audit functionat ZETDC**

Respondents were asked to give their views on measures that can be put in place to to improvement of Internal Audit function at ZETDC. The analyses of their responses are illustrated by table 4.20 below.

Table 4.19, shows that the respondents strongly agree that the following measures can improvement of Internal Audit function at ZETDC; motivating the workforce, instituting good Organizational culture, and re-structuring shown by ( $M=4.73$ ,  $SD=0.215$ ), ( $M=4.67$ ,  $SD=0.222$ ) and ( $M=4.89$ ,  $SD=.435$ ) respectively. The smaller the standard deviation shows that there is inconsiderable divergence of their views to the statements, all they are argue from the same point of elevation. The table also shows that the respondents agree that; training of workforce, selecting the rightful candidates during selection process, addressing the issue of corruption and introducing a viable system can also help to improvement of Internal Audit functionat ZETDC as shown by ( $M=3.62$ ,  $SD=0.221$ ), ( $M=3.89$ ,  $SD=0.335$ ), ( $M=3.89$ ,  $SD=0.435$ ) and ( $M=3..76$ ,  $SD=0.335$ ) respectively. Their responses shows that their views are not varying, they are all arguing from same point of elevation. Respondent are not sure if the introduction of heavy penalties on those who found guilty can help to improvement of Internal Audit function at ZETDC.

*Table 4:18: Measures to improvement of Internal Audit functionat ZETDC*

**Source: Surve 2020**

Descriptive Statistics			
Measures to improvement of Internal Audit functionat ZETDC	N	Mean	Std. Deviation
The Internal Audit function at ZETDC can be improved by training of workforce	100	3.62	.221
The Internal Audit function at ZETDC can be improved by motivating the workforce	100	4.73	.215
The Internal Audit function at ZETDC can be improved by making use of selecting the rightful candidates during selection process	100	3.89	.335
The Internal Audit function at ZETDC can be improved by instituting good organisational culture	100	4.67	.222
The Internal Audit function at ZETDC can be improved by introducing heavy penalties on those who found guilty	100	2.11	.210
The Internal Audit function at ZETDC can be improved by addressing the issue of corruption	100	3.89	.435
The Internal Audit function at ZETDC can be improved by introducing a viable system	100	3.76	.335
The Internal Audit function at ZETDC can be improved by re-structuring	100	4.89	.435
Valid N (listwise)	100		

**M = Mean, SD = Standard Deviation**

#### **4.5 Chapter summary**

The study found out that that application of good corporate governance practices is not suffice, to that effect little benefits of good corporate govanance is being realised by ZETDC. From this study is was noted that there is a positive relationship between govenance being practice and the firm performance. This indicates that there is need to do more if effective performance is to be achieved. The current model was seen to be ideal though some improvement on emplementation is required.

## **CHAPTER 5: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

### **5.0 Introduction**

This chapter presents a summary of this study, sets out the relevant Conclusions and makes Recommendations for the Audit pPractice. It also gives practical implications and suggestions for further research using the findings of this study. The objectives mentioned in the study were; 1)To ascertain all legal Internal Audit procedures which are currently in place in ZETDC, 2) To ascertain (establish) the extent to which the current Internal Audit functions being implemented in ZETDC, 3) To establish the challenges that are being faced in implementing Internal Audit function in ZETDC, 4) To highlight the weaknesses of the Internal Audit functionin ZETDC and 5) To identify measures can be put in place to improve of Internal Audit function at ZETDC

The questions were

- 1) What are the Internal Audit procedures that are currently in place in ZETDC?,
- 2) Does ZETDC implement and follow the precepts of the Internal Audit function?,
- 3) What are the challenges being faced in implementing Internal Audit function in ZETDC?, 4) What are the weaknesses of the Internal Audit function in ZETDC? and
- 5) What measures can be put in place to improve of Internal Audit function at ZETDC?

### **5.1 Summary**

The study sought to evaluate the effectiveness of Internal Audit in Public Sector: a Case of ZETDC Company. It was prompted by the importance of Parastatals' contribution national vision visa viz to various ineffective Management systems, mismanagement of funds and non- adherence to statutes. To inform the study, related literature such as effectiveness of Internal Audit and factors affecting the effectiveness of Internal Audit was reviewed. Using positivism philosophy and descriptive research design, the study collected data using quantitative methods. A sample of 393 was drawn from a population of 550 employees from ZETDC Harare workforce under finance, audit and risk management department national wide. Three hundred and nity three questionnaires were administered using a stratified simple random sampling method. Three hundred and nity three out of 393 questionnaires were fully completed to give a response rate of 89%. Collected



data was presented and analysed in statistic form using SPSS package. Though the study sailed through within the required time frame, it was cumbersome to gather data from all ZETDC branches in Zimbabwe due to time and resources limitation. To counter the limitation, questionnaires were sent through e-mail since the researcher was part of the system and to encounter the restrictions which had posed by Covid 19. Despite of these limitations, the study uncovered interesting insights which are concluded hereunder.

## **5.2 Conclusions**

- 5.2.1 There is a proper legal framework guiding all Internal Audit procedure at ZETDC. There is a policy document articulating the scope, objectives and officers responsibilities Internal Audit function. It also guides Auditors on their operations, as it specify the reporting framework and guidelines for follow –up.
- 5.2.2 The results revealed that the the precepts of Internal Audit are not being followed though there is a good policy. There is lack of proper attitude of Internal Audit functionstaff though they are technically competent. There is lack of professional independence and activity independence of the Internal Audit function.
- 5.2.3 Though the audit function should work with the Management in monitoring, evaluating and improving effectiveness of the internal control systems; the dependence is more than the expected which leads to manipulation of the function by the Management. This leads the function to be far less from the standards; hence ineffective.
- 5.2.4 There is quite a number of challenges in Internal Audit function which includes, lack of Management support, incongruous Reporting Structure, lack of physical and financial resources, social discriminatory and intimidation of functional staff among others.
- 5.2.5 The ZETDC has some weaknesses in its system which impact negatively to Internal Audit function staff which include; inadequate compensation of the Audit staff and direct attacks

of the personnel by the auditees. The career is also valued below the accountants field. All these demotivates the Internal Audit function staff, which eventually leads to abandonment of the function.

### **5.3 Recommendations**

Based on the above conclusions, it is therefore recommended that;

- 5.3.1 The top management at ZETDC should support the Internal Audit function by equipping it with necessary resources such as office equipments, financial and emotional support.
- 5.3.2 Management should try to motivate the Internal Audit function by equate it with other department such as accounting and try to give them lucrative remuneration as well as creating a clear career growth for Auditors.
- 5.3.3 Management should benchmark best practices from other Parastatals such as Zimbabwe Parks and Wild Life Authority.
- 5.3.4 Capacity development for both Managers and employees aim at changing attitude is also require since there is need for a paradigm shift to enable smooth running of the function. The current culture of looking the Audit function with great contempt should be shunned by training all staff members the goodness of the function.
- 5.3.5 Management should institute a conducive Structure (restructuring the audit function) which enables the independence of both activities and professionals of the Internal Audit function.
- 5.3.6 ZETDC should strive to turn the weakness into strength by protecting the Internal Audit function.
- 5.3.7 Policy makers should craft a policy which enforce independency of the internal audit function in State Owned Enterprises and Parastatals.

5.3.8 Audit personnel should advise their superiors on the issue of independence and allowed to prepare a report to superiors if their immediate supervisors deliberately ignored the advise.

#### **5.4 Theoretical, Empirical and Practical Contribution**

##### 5.4.1 Theoretical contribution

The literature indicates that there are various factors that influence the effectiveness of Internal Audit function as shown in conceptual framework. This study confirm that these factors (illustrated on the conceptual framework) have some effects on Internal Audit.

##### 5.4.2 Empirical Contribution

Focusing on the effectiveness of Internal Audit function in ZETDC, this study contributed to the empirical records by giving ways in which Internal Audit function should be implemented and how it should relates to the Management.

##### 5.4.3 Practical Contribution

The Internal Audit function should be independence from Top Management's influence for the goodness of the Organization and stakeholders.

#### **5.5 Areas for Further Study**

Future studies may also found it fascinating to investigate the relationship between Internal Audit functionnvariable like independence and Organizational performance in State Enterprises and Parastatals of Zimbabwe.

It has been noted that there are grey areas in how the dependency of Internal Audit functionaffect ZETDC operations; for further study, more insight may be done conduct a qualitative research design.

## **5.6 Chapter Summary**

The chapter presented the research findings and made some Conclusions about the effectiveness of the Internal Audit function currently being employed by ZETDC. The researcher also made some Recommendations to improve and enhance the control systems in order to mitigate its weakness. Theoretical, practical implications and Recommendations for further studies were given.

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## APPENDIX I: SURVEY QUESTIONNAIRE

QUESTIONNAIRE NO.....

Dear Sir/ Madam

My name is Patience Chihowa a Master of Business Administration (MBA) student with the University of Zimbabwe, Graduate School of Management (GSM). I am carrying out a research study entitled “**AN EVALUATION OF EFFECTIVENESS OF INTERNAL AUDIT IN PARASTATALS: A CASE OF ZETDC**”. As an identified stakeholder with so much significance to this research study, you are being kindly asked to contribute to this study by answering the following questions on this form as truthfully and honestly as you can. You are not required to identify yourself in any way. Be assured that your responses will be used for academic purposes only and as grouped data. Your cooperation in this regard will be greatly appreciated. For further information, you are free to the researcher on 0772 429 955 or email- pchihowa177@gmail.com

### Instructions:

1. The questionnaire contains 33 questions and takes about 10-15 minutes to complete.
2. Provide your best assessment if information is not available
3. Please provide responses to all questions by either ticking the appropriate box or typing in spaces provided.

### Section A: Demographic information

This section captures demographic information. Please complete the blank space in the right hand column by ticking the appropriate option

Questions	Code	Option	Tick
A1	1	Male	
	2	Female	
A2	1	O level	
	2	Diploma	
	3	First Degree	
	4	Master's Degree	

		<b>5</b>	PHD	
<b>A3</b>	In which area of function are you in? Please tick appropriate.	<b>1</b>	Finance	
		<b>2</b>	Audit	
		<b>3</b>	Risk Management	
<b>A4</b>	How long have been with ZETDC? Please tick appropriate.	<b>1</b>	1-10 years	
		<b>2</b>	11-20 years	
		<b>3</b>	21-30 years	
		<b>4</b>	31+ years	
<b>A5</b>	What is your level? Please tick appropriate.	<b>1</b>	Executive	
		<b>2</b>	Senior Management	
		<b>3</b>	Middle Management	
		<b>4</b>	Functional Management	
		<b>5</b>	Shopfloor workforce	
	Indicate your age group	<b>1</b>	>20year	
		<b>2</b>	21-30yrs	
		<b>3</b>	31-40yrs	
		<b>4</b>	41-50yrs	
		<b>5</b>	<50yrs	

## SECTION B: Internal Audit Function

Using the scale below, please indicate your responses to each of the item that follows,

1=Strongly disagree; 2=Disagree;3=Not Sure;4=Agree;5=Strongly Agree

Put a tick (✓) on your choice of answer

### 1. Internal Audit procedures that are currently in place in ZETDC

Code	Internal Audit procedures	1	2	3	4	5
IAP1	There is a well articulate Internal Audit scope at our Organization					
IAP2	The objectives of Internal Audit function are clearly stated in our Organization					
IAP3	Positions of officers who are responsible for carrying out Internal Audit are defined					
IAP4	There is a proper plan on the Internal Audit process					
IAP5	There is an fieldwork guide meant to guide Auditors through what needs to be done throughout an Internal Audit and how to document the entire thing					
IAP6	Reporting framework that outlines what needs to be included in the report and how to go about it is in place					

IAP7	Guidelines which outline when and how an Auditor should perform a follow-up.					
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**2. The extent to which Internal Audit function is being implemented**

**1=Strongly disagree;2=Disagree;3=Not Sure;4=Agree;5=Strongly Agree**

Code	The precepts of Internal Audit function warrants effectiveness	1	2	3	4	5
PIAF1	Our Internal Audit function encompasses the role of risk Management					
PIAF2	Our Internal Audit function works together with Management in evaluating and improving effectiveness of corporate governance.					
PIAF3	Our Internal Audit function works with the Management in monitoring, evaluating and improving effectiveness of internal control systems created by Management.					
PIAF4	The Internal Audit function staff has technical expertise as required to conduct their duties					
PIAF5	Our Internal Audit function staff has personal competencies required to carry out their tasks					
PIAF6	Our Management control system as designed to ensure that employees are carrying out their duties as required by the Organization					
PIAF7	Our Internal Audit activities are independent to retain its functional objectivity					

**3. Challenges being faced in implementing Internal Audit function in ZETDC.**

**1=Strongly disagree;2=Disagree;3=Not Sure;4=Agree;5=Strongly Agree**

Code	Challenges faced in implementing Internal Audit function	1	2	3	4	5
CIAF1	Lack of Audit staff is one of the impediments to effective Internal Auditing.					
CIAF2	There is lack of support from Management in implementing Internal Audit function at our Organization					
CIAF3	Our Organization reporting structure pose some challenges when it comes to implementation of Internal Audit function					
CIAF4	Our audit function sometimes lacks resources such as finance, office equipment and stationery to implement their function					

CIAF5	There is also some kind of intimidation made to the Internal Audit function					
CIAF6	There is social discriminatory to Internal Audit					
CIAF7	There is a lack of proper plan in on the Internal Audit process					

#### 4. Weaknesses of the Internal Audit function at ZETDC

1=Strongly Disagree;2=Disagree;3=Not Sure;4=Agree;5=Strongly Agree

Code	Weaknesses of the Internal Audit function in SEP	1	2	3	4	5
WIAF1	Our oOrganization has no Audit Manual being used by auditors when they perform their work					
WIAF2	The career of the auditors are below their counter parts in the accounting field and there is no growth prospects					
WIAF3	Our audit department reports directly to the CEO					
WIAF4	At our organisation there is no clear definition of the roles ,responsibilities ,rights and what Internal Auditors should not do					
WIAF5	Our Auditors are adequately remunerated and provided with adequate office pre-requisites					
WIAF6	At our workplace there are reported cases resistance to Audit reports by threats to individual Auditors and also their properties					

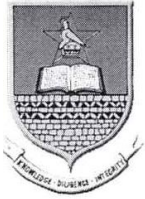
#### 5. Measures that can be considered for improvement of Internal Audit function at ZETDC

1=Strongy Disagree;2=Disagree;3 Not Sure;4=Agree; 5=Strongly Agree

Code	Factors rated to improve of Internal Audit function at ZETDC	1	2	3	4	5
FCI1	The Internal Audit function at ZETDC can be improved by training of workforce					
FCI2	The Internal Audit function at ZETDC can be improved by motivating the workforce					
FCI3	The Internal Audit function at ZETDC can be improved by making use of selecting the rightful candidates during selection process					

FCI4	The Internal Audit function at ZETDC can be improved by instituting good organisational culture					
FCI5	The Internal Audit function at ZETDC can be improved by introducing heavy penalties on those who found guilty					
FCI6	The Internal Audit function at ZETDC can be improved by addressing the issue of corruption					
FCI7	The Internal Audit function at ZETDC can be improved by introducing a viable system					
FCI8	The Internal Audit function at ZETDC can be improved by re-structuring					

**THANK YOU FOR YOUR PARTICIPATION!**



**GRADUATE SCHOOL OF MANAGEMENT  
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26<sup>th</sup> August 2020

**TO WHOM IT MAY CONCERN**

Dear Sir/Madam

**RE: ACADEMIC REFERENCE LETTER FOR MS PATIENCE CHIHOWA (R181215W)**

This letter serves to confirm that Ms Chihowa is a bona fide Master of Business Administration (MBA) student at the Graduate School of Management (GSM), University of Zimbabwe (UZ). She is carrying out a research in partial fulfillment of the requirements of the MBA degree programme.

We kindly request you to provide her with the information she needs to complete her research. Please note that only aggregated data will be used in the final analysis. Please also note that the Graduate School of Management upholds high levels of confidentiality and ethical standards in conducting research, and therefore, the information that you provide will be used for academic purposes only and will not be disclosed to third parties.

Yours faithfully,

**DR W. P. MKUMBUZI  
DIRECTOR, GRADUATE SCHOOL OF MANAGEMENT**

/bm

