



FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING

RESEARCH TOPIC:

Investigation into the impacts of management's non-implementation of audit recommendations to risks: case of national social security authority (NSSA)

BY

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*This dissertation is submitted in partial fulfillment of the requirements of the **Bachelor of Commerce Accounting Honours Degree** in the Department of Accounting at Midlands State University.*

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DEDICATION

This research project is dedicated to my loving mom Mrs Shumba and my siblings. I love you all!

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ABSTRACT

The collapse of two local banks namely Capital and Interfin which lead to NSSA losing out significant volumes of money has probed a lot of questions to the entity's major shareholders. The most frequently asked question was whether management is giving adequate attention to audit recommendations. This initiated the researcher to conduct a research to investigate the impacts of management's non-implementation of audit recommendations to risks. The study prompted answers on sub-research questions of the research with the aim to highlight the reason and effects of non-implementation of recommendations and highlight ways to get action on recommendations. The study sample composed of directors, accounts clerks, accountants, bookkeepers and administration staffs. Research instruments considered for the purposes of this research are questionnaires which had 86% response rate and interviews which yielded 68% response rate. Data accumulated was analysed and presented through graphs, tables and pie charts and rational conclusions were drawn from this. Upon analysis of the accumulated data, the results of the study audit recommendations are not being given adequate attention and because of this the entity is at high overall business risk. The recommendations forwarded by the researcher are envisaged to lead to effective implementation of recommendations at National Social Security Authority.

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CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter mainly focuses on highlighting the background of the study, statement of the problem and the significance of the study. The chapter also outlines the objectives of the research study, research questions, delimitations and limitations of the study and a summary will conclude the chapter.

1.1 Background to the study

The Public Finance Management Act section 3 states that public money should be properly accounted for. Accordingly, to promote transparency and good accountability section 310 of the constitution of Zimbabwe appoints the auditor general to carryout independent audits of all public accounts then provides recommendations to reduce risks. Public officers must comply with the Auditor-General's recommendations (The Constitution of Zimbabwe section 309)

A trend analysis of the National social security authority annual audit reports from the auditor general indicates that audit recommendations are being continuously repeated from year to year from 2011 to 2013 (Annual reports 2011-2013).

Table 1.1 Recurrence rate of audit observations

Year	2011	2012	2013
Total number of audit observations issued in current year	5	16	14
Audit observations highlighted in previous years included in the current year.	3	5	13
Recurring Rate of audit observations	60%	18.75%	92.86%

Source. NSSA 2014 Internal Audit Exit Meeting Minutes

NSSA is at a great risk as a result of non –implementation of audit recommendations. (Internal audit meeting minutes 2014). The auditor general in 2011 unearthed irregularities pertaining investments in Capital bank and in Interfin bank (2011 auditor’s report).The report highlighted that material uncertainty existed over the banks’ ability to continue operating therefore the authority should consider an exit strategy as losses may result. In the 2012 auditor’s report again the auditor mentioned that NSSA’s risk exposure in Capital bank was high and Interfin bank was under curatorship the same recommendation was made. In the 2013 auditor’s report, the auditor made the same recommendations concerning the two banks. Despite the recommendations management increased investments from \$35 874 086 to \$78 964 132, in 2014 the two banks collapsed and NSSA lost a total of \$78 964 132 (Internal audit exit meeting minutes 2014).

In 2011 the auditor general observed NSSA’s related-party dealings in the absence of any policy documents with Africom and FBC Bank in which it has a share holding of 20% in each of the companies (Auditor’s report 2011). In the report the auditor general recommended management to put in place a system that regulates related party transactions. In 2012 the auditor general highlighted that uneconomic decisions could be made as a result of related party influences and repeated the same recommendation which was made in 2011(auditor’s report 2012). In 2013 the auditor general made the same recommendation pertaining related party dealings (auditor’s report 2014). The transactions were not profitable, NSSA lost \$ 3 245 621 because Africom charged a price which was above the market value for providing telecommunication services, FBC bank which was contracted to sell NSSA’s Glaudina stands sold them at a loss of \$ 6 000 000 as they were sold below their market price (Internal Audit Report 2014).

The 2011 auditor’s report recommended the board to observe good corporate governance practices to avoid risks of overlapping power and influence across committees. This recommendation was repeated in 2012 after the auditor general had observed that out of the eight board committees of NSSA, one board member was a chairperson in four of them. The 2012 auditor’s report also mentioned that one board member sat in the Audit Committee and the Investments Committee this translated to self-review as the Audit Committee reviews the Investments Committee (Auditor’s report 2012). This was not in compliance with King III principles of corporate government.

1.2 Statement to the problem

Over the years NSSA has been giving inadequate attention to audit recommendations, management has done little to rectify problems raised in audit reports as evidenced by the continuous recurrence of the same audit recommendations year after year. Poor investment decisions have been made, resources have been channeled towards entities that are only related to NSSA even if the transactions were not profitable and good corporate governance practices and principles have not been observed regardless of the auditor's recommendations.

1.3 Main research question

What are the effects of management's non compliance with audit recommendations to risks?

1.4 Sub research questions

The following sub question arises from the main question.

- Why is there a need of auditors in an organisation?
- To what extent do audits help in reducing risks in an organisation ?
- What are the factors hindering the implementation of audit recommendations?
- What are the effects of not implementing audit recommendations
- What can be done in order to ensure that management gives adequate attention to audit recommendations

1.5 Research objectives

- To determine if there is a need of auditors in an organization.
- To determine the extent to which audits help in reducing risks.
- To establish the causes of non-implementation of audit recommendations.
- To establish the effects of not implementing audit recommendations
- To recommend strategies to have audit recommendations implemented at NSSA.

1.6 Significance of the study

1.6.1 To the student

The research is carried out and submitted in partial fulfillment of the requirements of Bachelor of Commerce Accounting Honours Degree.

1.6.2 To NSSA

The research seeks to aid NSSA to consider the adoption of recommendations to be made.

1.6.3 To Midlands State University

The study will provide literature and a point of reference for other students at Midlands State University.

1.7 Delimitation of the study

The research is restricted to the National Social Security Authority. It covers the period 2011-2014.

1.8 Research assumptions

The following assumptions were taken into consideration during the research.

- Enough information for carrying out the research is going to be gathered
- The interviewee will cooperate during interviews
- Sufficient time will be available to carry out the research in a stipulated time

1.9 Limitations of the Study

The study was limited by inadequate resources the researcher however had to ensure maximum utilization of the available scarce resources within the budget. Also the researcher faced a problem of getting all the information desired from the respondent because of confidentiality of

the entity. The researcher overcame this problem by guaranteeing the respondents that secret of the Organization will be preserved.

The researcher also was denied access to some important documents which were relevant to the study. There was limited time available to the researcher to conduct the research but this time constraint was cubed by working beyond normal hours. Finally some respondent were not able to give the desired responses as they were not well equipped with adequate knowledge.

1.10 Definition of terms and acronyms

Internal auditing

As defined by the Institute Of Internal Auditors internal auditing is an independent objective assurance and consulting activity designed to add value and improve on an organisation's operation.

Audit recommendations

According to the Constitution of Zimbabwe **sec 309**, audit recommendations are mitigatory measures issued by the Auditor to correct any defects in the management together with safeguarding of an entity's resources.

Related party

IAS 24 defines a related party as a person or entity that is related to the entity that is preparing its financial statements that is the reporting entity.

Corporate governance

Jackson and stent defined corporate governance as a system or process whereby companies are directed or controlled

NSSA - National Social Security Authority

PFMA - Public Finance Management Act

AG - Auditor General

IAS - International Accounting Standards

1.11 Summary

This chapter highlighted the background of the problem and looked at the question underlying the research. It also looked on the sub-research questions, objectives of the study, significance of the study and research assumptions. The limitations of the research that may compromise research quality have also been highlighted as well as the delimitation of the study. Chapter two looks at literature review.

2.0 Introduction

This chapter prompts answers to the sub research questions by taking a comprehensive review on the literature propounded by various authors and reputable authorities in prior studies on the effects of non-complying with audit recommendations.

2.1 Background, concept and definition of auditing

The word 'audit' is usually used to refer to the process of providing an opinion on the accuracy or validity of some subject matter specifically in this matter, financial information (Chandler 2014). Auditing may be identified as an independent systematic examination, evaluation and investigation of an entity's business transactions, procedures, operations and performance results (Anichebe, 2010). The international Auditing and Assurance Standard Board characterised an audit as prices examination and coming up with an independent opinion concerning financial performance of a business by a selected evaluator as stated by those state of the arrangement and appropriate statutory and execution procurements. In support literature reviewed by Salome and Rotim (2012) contends that the motivation behind an audit is to provide sensible certification on whether the financial statement of an entity present fairly in all material aspects the financial position, performance and cash flows of an entity in accordance with the generally accepted accounting principles, and also to evaluate the effectiveness of internal control system put in place by management of the entity in question. The auditor is actually an independent third party who is there to establish a degree of correspondence between the assertions made and presented by management and user criteria (Soltani, 2007)

2.2 Why we need auditors

Hayes et al (2006) explained the need of auditing using theories, according to them the demand and supply for auditing was derived from four theories. Figure 2.1 below explains the four auditing theories according to Hayes et al. (2006)

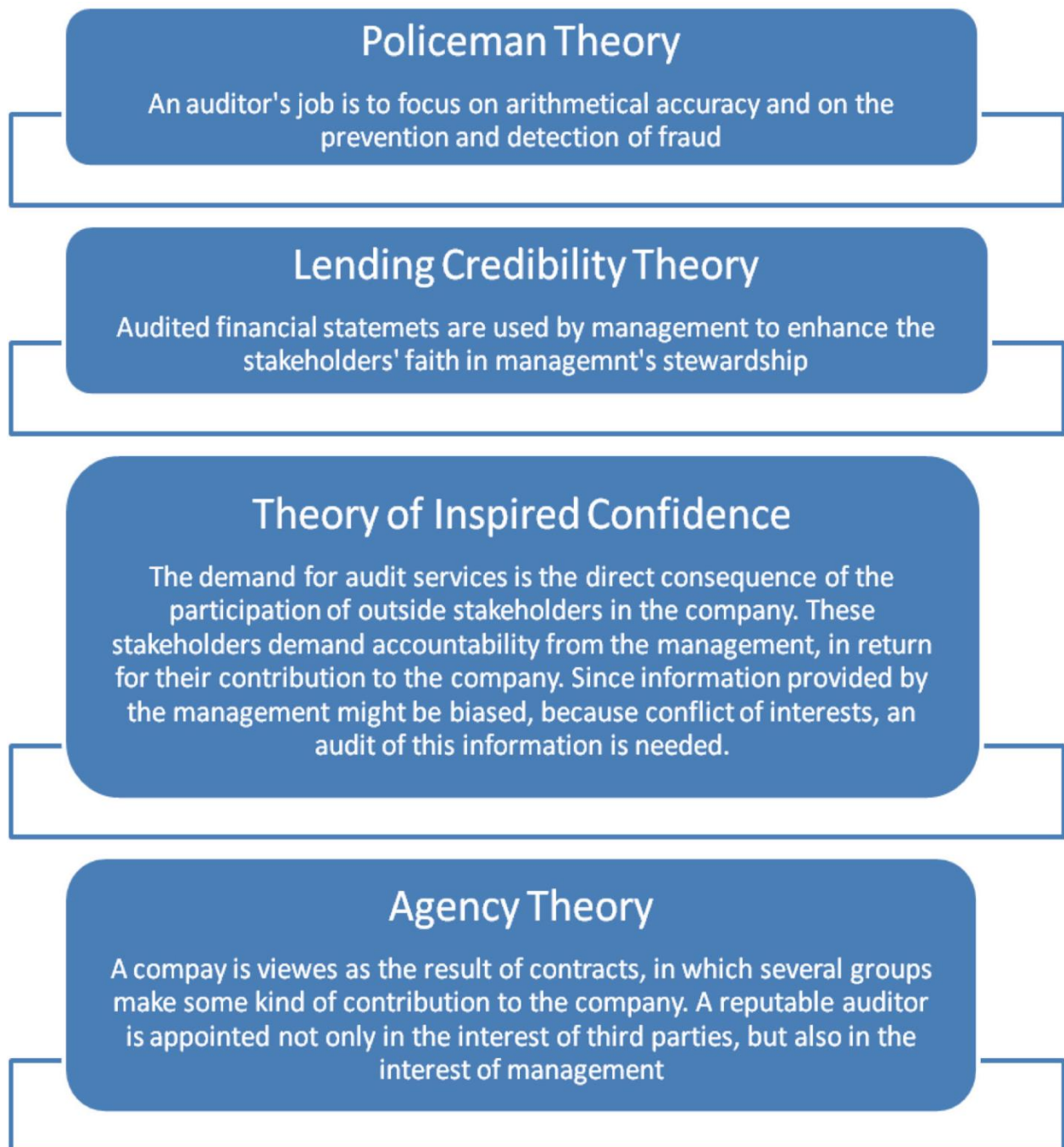


Fig 2.1 Four auditing theories (Hayes et al. 2006)

2.2.1 The policeman theory

The demand and supply of auditing was initiated by a strong need for an independent person who plays a crucial role of searching, identifying and furthermore preventing fraud (Hayes 2006). However Jackson and Stent (2010) argues that there is a paradigm shift from searching, detecting and prevention of fraud to the provision of satisfactory assurance as to whether the financial statement of an entity fairly presents in all material aspects the financial position, performance and cash flows of an entity. They went on to argue that an auditor is not a blood-hunt but a watch dog whose purpose is to send signals to the owners whenever an irregularity and anomaly comes to its attention. Volosin 2007 chips in and asserts that after several cases of financial statement frauds and the collapse of huge companies like Enron in the past the policeman theory has been reconsidered.

2.2.2 Lending credibility theory

According to Hayes (2009) the theory sees the need to add credibility to financial statements as the primary function of an independent audit. Through attesting to the fairness and accuracy of an entity's financial statements, the auditors lend their credibility to the entity in question and its financial health by expressing a professional opinion on the fairness view of the entity's performance and that they have been correctly prepared in compliance with the Generally Acceptable Accounting Principles and other statutory provisions.

In support Jackson and Stent (2010) termed this need for auditing service as, 'confidence in financial statements.' According to them in order to build and also maintain investors' confidence in financial statements in reasonable assurance is needed that the financial information of the entities is reliable and credible therefore the auditor is responsible for lending this credibility. Literature reviewed by McElvaine (2010) argued that because of the accounting abuses in the twentieth century the emphasis on audited financial statements as a form of increased investor protection has increased.

The Institute of Chartered Accountants (2009) supported the lending credibility theory by asserting that audits have a fundamental purpose of providing and promoting investor's confidence and reinforcing trust in financial information. The Lending Credibility Theory states

that the audited financial statements enhance the stakeholder's faith in management's assertions together with its stewardship (Hayes et al 2006). Al-khadhash et al 2013 asserts that auditing is developing and enhancing the economy through its expression of an opinion, the opinion has a direct impact to users of financial statement as they gain a reasonable assurance on the information presented to them has been properly measured, and is fairly presented thereby boosting their confidence in the information. In support Joseph et al (2011) asserted that investors place more value and reliance on audited financial statements than unaudited ones.

2.2.3 Theory of inspired confidence

The participation of third parties in the company that is interested parties of a company who requires and demand accountability from management initiated the evolution of auditing services (Limperg 2010). Duff (2004) adds that the demand and supply of audit services emanated from the need to facilitate contractual relations of the audited entity and other various stakeholders as the presentation and preparation of financial statements is controlled by management which is separate from the stakeholders of the company. According to Jackson and Stent (2010) the auditing profession has risen to great heights over the years with the emergence of various types of auditing including internal, government, forensic and environmental auditing amongst others the sole reason being that the world requires accountability.

Amojori (2002) views accountability likewise as a demonstrating tool for the actions of those who have custody of power, personnel, public resources, it therefore works with the justification of business transaction. Paape (2007) also asserts that it is the shareholders of a company who are the owners of the business and in whose interest the business should be run. He adds that in a large company, the directors control the day to day business, with the shareholders probably only meeting once a year at the Annual General Meeting to be updated on the stewardship of the company by the directors. The directors must account for their actions with openness and integrity (Sharma 2010).

McElvaine (2009) points out that the basis of an argument for company law is there is a need for a purpose that directors show fiduciary duty towards the shareholders of the company. Inherent in the idea was if the directors have a law of fiduciary duty then they will be held or given trust

that they will act as stewards over the resources entrusted to them. Stewardship Theory holds that there is no inherent problem of executive control, meaning that organizational managers tend to be benign in their actions (Adeyemi and Olowookere 2012). The theory argues that senior executives over time tend to view the corporation as an extension of them that is identifying themselves including their families as 100% part of the organization and would like to secure and ensure that the assets are fully utilized (Ng'ang'a 2010).

Kime et al (2013) asserts that the only way management can account for their actions to shareholders is through the supply of periodic financial statements. He went on to assert that since the information issued by management maybe not based on fair judgment and outside parties have no direct means of controlling it, an audit is therefore required to assert the validity and reliability and to provide the confidence to outside parties. Literature reviewed by Abdullah et al (2014) states that an audit underpins the trust and obligation of stewardship between those who manage a company and those who own it.

2.2.4The agency theory

According to Adeyemi and Olowookere (2012) the agency theory is the most significant theory which gives a reason to the demand and supply of auditing service. The need for both external and internal auditors emanated out of the emergence of owner-managed business into businesses which are owned by people who do not manage the business (Jackson and Stent 2010). By definition the agency theory made an effort to give a detailed account of relationship where owners that is the principal delegates work to the agent that is management, it placed greater importance in finding solutions to the problems concerning conflict of interests and associated risk sharing whenever attitudes toward risk are in divergence (Ng'ang'a 2010).

The unavoidable belief that the agent will be compelled by self-interest rather than the strong wish to maximize the profits for the principal lead to the demand and supply of auditing (Adeyemi and Olowookere 2012). In support Jackson and Stent 2010 asserts that contracting involves assigning the responsibility of decision making powers to management that is the agent therefore (Jensen et al. 2010) points out that if both the agent and the principal make an effort to attain their state of being profitable to the fullest, there is a capability that agents will choose to

act in their own interests, not in those of their principals, this will lead in conflict of interest problems.

There is a belief that the agent has a great amount of advantage over the principal, for he is always in possession of more information about the company better known as information-asymmetry (Solitani 2007) according to him this however leads to conflicts of interest between the shareholders and managers. Another agency theory understanding from Ittonen (2010) in support asserts that the principal and agent contract may be accompanied by information asymmetry. The Audit Assurance Faculty (2007) asserts that as a result of information asymmetries and self interest, owners therefore lack reasonable trust in their management team and will therefore look for ways to resolve these matters of interest by coming up with ways to bring into the correct the agents' interest with those of their principals and so as to reduce the chances for information asymmetries and available opportunistic behaviors. According to Hayes (2006) in order for the principals to be able to rely on the information given by the management there is an incentive for both managers and outside investors to engage reputable auditors.

Chang et al (2006) noted that because of the split between ownership and control, and the wide spread of ownership, there was however no check upon the executive independence of corporate managers. They added that this raises the possibility that the executive is more of an agent rather than a steward and will however serve in favor their own interests putting aside those of the principal. This split between ownership and control creates conflict between the agency and principal resulting to the so-called agency cost (Adeyemi and Olowookere 2012). Management is however metamorphosed in this context as the agent to direct and monitor the firm to advance shareholders' interest and in turn, there is need for the agent to be monitored also to ensure goal congruence observes (Beaver 2011)

Jensen et al (2010) posits that to limit the agent from going in a different direction in favor of his/her own interests, the principal came out with a way of encouraging the agent and reducing his or her conflicting activities through coming up with ways to limit conflicts of interests. The agency theory is of the view that management introduces auditing and other internal control mechanisms to alert the shareholders that management is properly fulfilling its responsibility to maximize the shareholders' wealth (Hayes 2006)

Beaver (2011) argues that auditing is a control put in place to reduce management’s opportunities to refuse to give material information from owners. The benefit of an audit is that it provides assurance to the owners that management has presented a ‘true and fair’ view of a company’s financial performance and position (Joseph et al (2011)).

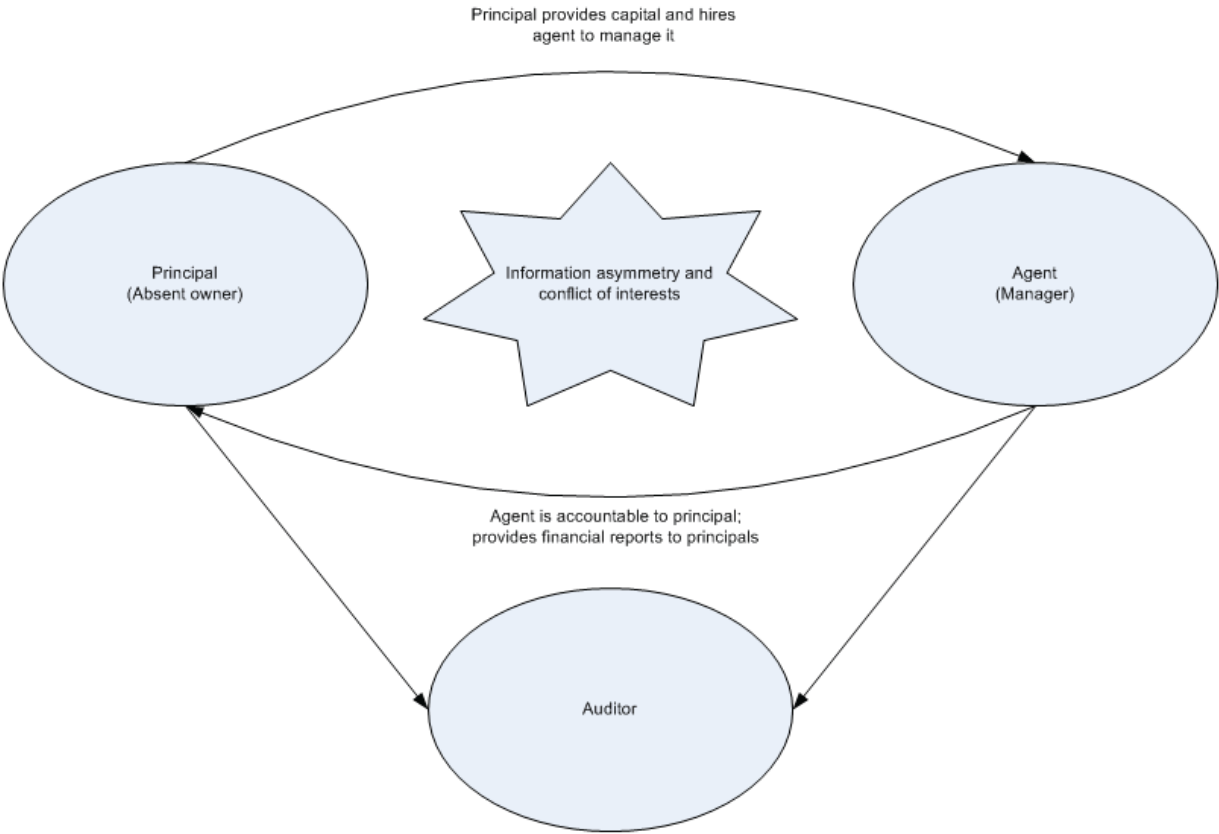


Fig 2.2 The principal and agent relationship giving rise to the demand and supply for auditing services (Eilifsen et al. 2006)

2.3 How audits help in reducing risks

Auditing plays an important role in detecting, reducing and sometimes eliminate risks(mohamud and salad 2013). They went on further to purport that auditing reduces both overall business and information risks.

2.3.1 Overall business risks

The benefit of audits is that they reduce an entity's overall business risk in the case that their recommendations have been given adequate attention (Minni 2011)

2.3.1.1 Internal audit

According to Mohamud and Salad (2013) this is an autonomy and assurance independent activity that is aimed to provide reasonable assurance that an entity's business risks are being properly managed and the risk management team together with the controls put in place is producing the intended results. By the nature of its activities internal auditing strives to help management through pointing out the entity's risks, prospective negative effects of risks and to make better management's systems of risk control (Popescu and Omran 2011). In support Literature reviewed by (Endaya and Hanefah 2013) argues that the internal audit is actually seen as an independent and objective department that provides reasonable assurance pertaining the degree of control over operations, a guide to help improve operations and add an extra value, helping it to achieve its objectives through a systematic and methodical evaluation, its processes of risk management, control and governance and formulating proposals to strengthen their effectiveness. An analysis of the definition of internal audit shows that there has been a paradigm shift of the role of internal audit from being the independent evaluation function to risk management role and nowadays it has become the core need of an entity (Snezana and Jonanovic, 2011

The Institute of Internal Auditors (2010) argues that internal audit gives an objective assertion that key risk areas are appropriately controlled and managed as well as giving reasonable assurance as to whether the risk management team together with the internal control system is giving the intended benefit. In support of this the IIA came up with the following figure which shows how internal auditing plays a role in enterprise risk management.

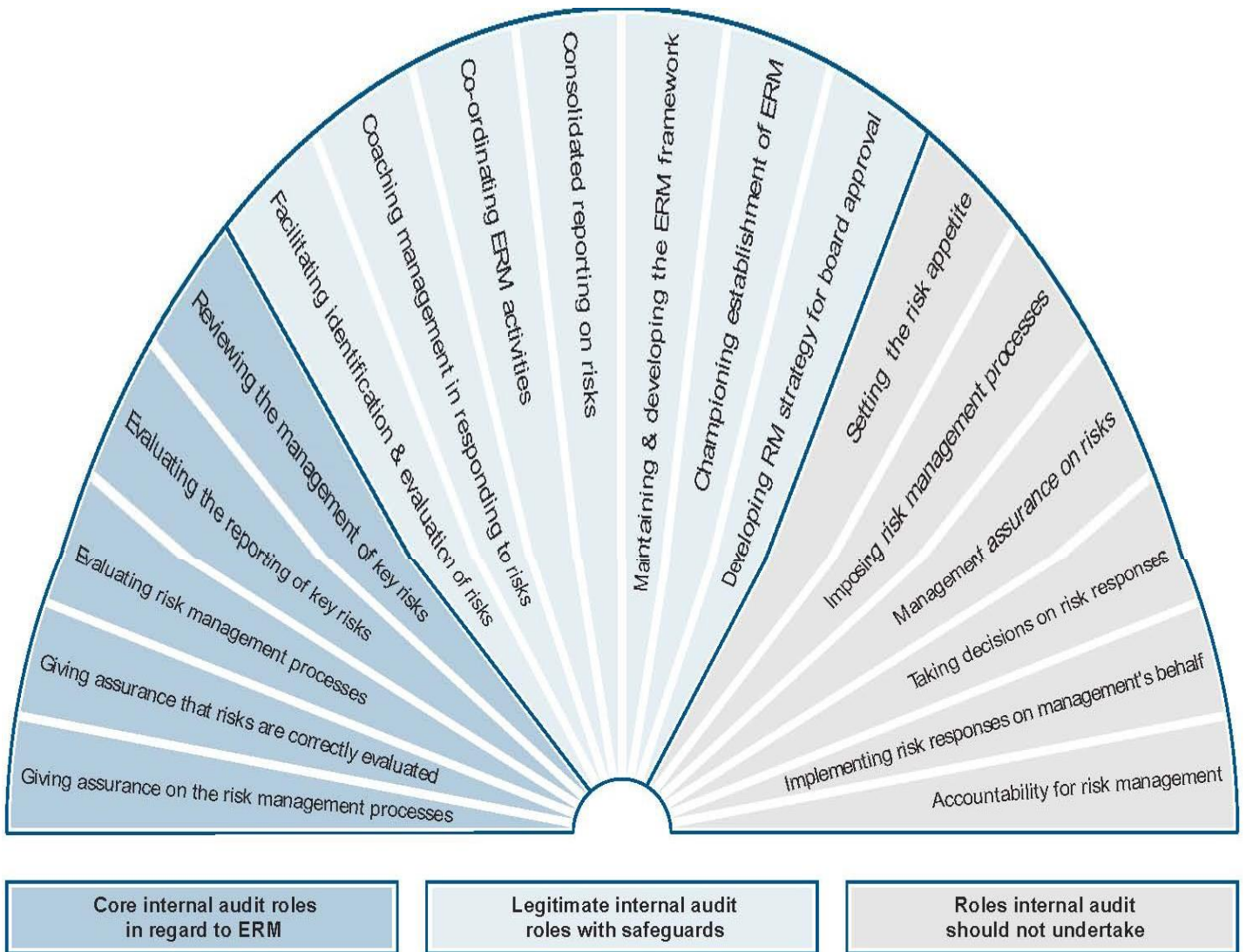


Fig 2.3 Internal auditing role in risk management

Figure 2.3 above presents a risk management activities and indicates the roles an internal audit function should and should not undertake. The motive behind all is to reduce risks in an enterprise. (Institute of Internal Auditors 2010)

2.3.1.2 External audits

Jackson and Stent (2010) define external audit as the examination of a firm's financial statements with the view of express an independent opinion on whether the annual financial statements presents fairly in all material aspects the financial performance, position and cash flows of the entity . Literature reviewed by Mehmet (2011) argues the audit of financial statements has experienced a paradigm shift from the perspective of the methods of 100% examination to risk reduction methods. Another stream of literature by Guvemli (2010) adds that external auditor have been assigned a responsibility to consider fraud in an audit of financial statements the main motive behind being to reduce fraud risks. This is supported by the formulation of ISA 200, a standard which governs the auditors in the reduction of fraud risks.

In support the Institute of Chartered Accountants pointed out that in carrying out their audits external auditors considers the entity's controls put in place not with a view of coming up with an opinion on them but to determine the nature, extent and timing of their audits, however the audit should report to management any material misstatements which come to their attention.. From the definition of control risk which is the risk that internal controls put in place by management may fail to detect, correct and prevent material misstatement (Jackson and Stent 2010) it is argued that if external auditors reports on weakness in internal control then they are reducing the entity's overall business risks (Minni 2011)

2.3.1.3 Forensic audit

The audit concentrates on investigating and gathering evidence where there have been alleged financial misstatements, theft or fraud (Jackson and Stent 2010). Millchamp and Taylor (2012) assert that because of its nature forensic audit reduces risks of misappropriation of assets by management.

2.3.2 Information risk

Information is increasingly appreciated as an important resource which must be properly managed (Botha and Boon 2010) . They defined information risk as the risk that various users both existing and potential users of financial statements may make economic decisions based on

biased information. Thus the objective of general purpose financial statements according to IAS 1 is to provide financial information about an entity that is useful to a wide range of users in making economic decisions. Audits serve an economic purpose and play a vital role in performing a duty in the public interest of strengthening accountability and making stronger the trust and dependence in financial reporting (Institute of Chartered Accountants 2009).

Literature reviewed by Davies 2012 states that users of financial information encounter information risk, however argued that an audit protects the interest of these users by reducing information risks. Adeyemi and Olowookere (2012) asserts that auditors have a vital role as for they are 'gatekeepers' to public capital markets. Explaining how an audit reduces information risk (Minni 2011) posits all types of audits reduce informational unreliability with from already made financial statements and explained that the reduction in informational unreliability is highly connected with a reduction in information risk. As a result of its risk reduction impact an audit plays an important role of enhancing the economic development, increasing the variety, number and value of business transactions that people are satisfied to enter into (Institute of Chartered Accountants 2009).

In contrast Kim et al (2011) asserts that audited firms have relatively low risks than unaudited ones. An analysis made by Adeyemi and Olowookere (2012) on all audited and unaudited firms posits that firms which have an audit are connected with a 38% reduction in the risks of failure as compared to firms that do not have their financial statements audited. According to them this reduction is made possible by the audit process which in curtails business risks.

2.4 Factors hindering the implementation of audit recommendations

An effective audit undertakes an independent evaluation of financial and operating information and of systems and procedures of an entity with the aim to provide useful recommendations for improvements where necessary (Mihiret and Yismaw 2013). Keating (2010) argues that the operativeness of an audit lies in the effective implementation of audit recommendations. According to Boyle (2009) recommendations are the auditor's various statements that address the cause of an anomaly and provides the best necessary set of actions rectify the anomaly. Effective implementation these recommendations is of paramount importance to the

effectiveness of an audit. (Gansberghe 2009). Various factors however hinders the effective implementation of audit recommendations and ultimately affects the effectiveness of audits (Mihiret and Yismaw 2013)

2.4.1 The quality of the audit and its recommendations

Mihiret and Yismaw (2013) asserts that the audit quality, that is the audit team's ability to come up with sound audit recommendations is the most important factor on which the effectiveness of an audit is centered. DeAngelo (2009) defines audit quality as the likeliness that an independent auditor discovers and reports an anomaly in the client's financial statements. Auditors of high quality are less willing to accept questionable accounting practices and are more likely to report anomalies unearthed during the audit (Adeyeni and Olowookere 2012) According to Boyle (2009) recommendations are statements that precisely address the cause of misstatements and describe the best necessary actions to address the anomaly.

2.4.1.1 Factors affecting audit quality

Audit quality is a function of audit independence and competence of the audit team and the audit committee (Mihiret and Yismaw 2013)

2.4.1.1.1 Independence

De Angelo (2009) defines independence as the probability of reporting an unearthed anomaly without being distracted by management influence or conflict of interest. Jackson and Stent (2010) asserts that no matter what type of an audit if the team performing the audit is not independent of the audited entity then the audit is of a poor quality and its recommendations will not be given adequate consideration. Adeyemi and Olowookere (2012) states the independence of the audit team gives the public assurance that the audited financial statements are reliable and trustworthy. Independence is of great importance in giving out an effective audit service to management and those charged with governance, for it offers an environment of goal and uninhibited examination and reporting weight of discoveries without the impact of influence from the personnel being audited (Mihiret and Yismaw 2013).

To add on the need of auditor independence Lowe et al (2000) posits that the independence of an auditor is an unavoidable requirement of the audit function. Abdullah (2003) also argues that the effects of lack independence can be highly great to the audit process and negatively affects the quality of an audit. Al-Khadhash et al(2013) argues that the audit team is not independent from management, management can be reluctant to implement its recommendations.

2.4.1.1.2 Competence of the auditing team and audit committee

Staff competence is widely recognised in the professional view as an essential element in effective audit (IIA, 2009). According to Al-Khadhash et al (2013) Standards setters have repeatedly eluded the significance of the audit team having the knowledge, together with other competencies which are of paramount importance in undertaking auditing duties and responsibilities. It is highlighted with great concern that i the audit team together with the audit committee is not in possession the required knowledge and other competencies essential in performing their responsibilities and management is aware of that management can be reluctant implement audit recommendations (Mihiret and Yismaw 2013). According to Alezeban and Gwilliam (2009) the greater the competence of the auditing team the greater the effectiveness of implementation of their recommendations.

2.4.2 Audit communications

Regardless of how well the audit team has planned and executed his or her job or how important the findings are, the report may however mean nothing unless the audit report is of high quality to derive the readers to take corrective actions pertaining the anomaly cited (Walker 2010). Adequate information to enable management to understand the meaning of the communication is essential for recommendation to be effectively implemented (Xiangdong 2009). Another stream of literature reviewed by Mihiret and Yismaw (2013) pointed out that failure to effectively communicate auditing findings and gain management's understanding of the recommendations hinders effective implementation of the recommendations.

2.4.3 Management support

Management support is another crucial factor which influencing the effectiveness of an audit (Mihiret and Yismaw 2013). Management is accountable to shareholders for designing and implementing risk management processes in business and the effective timely implementation of the recommendations is a risk management cognizance culture within the business entity.(Davies 2012)

The Australian National Audit Office audit recommendations address risks pertaining to the successful delivery of programs, services or functions. The ANAO went on to posit that in general, the duty of implementing recommendations is vested in the hands of senior managers and implementation of recommendations should be given the same attention in the same manner as the implementation of other policies, programs and business improvement initiatives, with clearly defined implementation and oversight roles, and clear expectations about quality and timeliness. Effective implementation of audit recommendations needs strong senior management's unintentional failure to notice, if management lacks commitment and is not offering supportive response to audit recommendations then the recommendations will not be implemented (Krishnan 2005).

2.5 Effects of non-implementing audit recommendations

According to ISA 300 the auditor when planning for an audit should assess risk factors at both overall financial level and at assertion level, the auditor will therefore make recommendations to reduce the risks to a relatively low level. It follows that the benefits derived from an auditor's report are reduced, and both overall business and information risks remain high, if audit recommendations are not given enough attention within the stipulated timeframe (ANAO 2008).

2.5.1 High control risks

Jackson and Stent (2010) defined control risks as the risk that a material misstatement which could occur both at assertion level and at overall financial statement level will not be eliminated, unveiled and corrected on an appropriate timely basis by the organisation's internal controls. Literature reviewed by Davies and Aston (2012) asserts that assessing risks, the auditors

examines the internal control put in place with a view to help in the entity's preparation of its periodical financial statements for the purpose of designing audit procedures that adequate in the circumstances, but not with the view of expressing an opinion on their effectiveness .It follows that the risk assessments by the auditor on internal controls have greatly increased the quality of reported financial information (Altamuro and Beatty 2010).

Davies and Aston (2011) states auditors communicate with management in writing issues pertaining any significant anomaly they have identified together with recommendations to improve internal controls. The communication by the auditor will increase management's awareness of the defects in the internal controls and the recommendations help in management in correcting the defects (American Institute of Certified Public Accountants 2007). If management however fails to implement audit recommendations pertaining internal controls the entity's control risk will be (Kim etal 2010)

2.5.2 High fraud risks

Fraud causes very great loss to the business world and creates problems in the workplace (Mohammed 2012). ISA 240 refers fraud as a planned act by individuals between management and those charged with governance or personnel, involving deception to obtain an unfair or illegal benefit over the company property. Auditors are required by the Statement of Auditing Standard No. 99 to properly plan their audits so as to provide an assurance that financial statements are free of any material fraud. ISA 240 also requires the auditing team to perform procedures to obtain information that is used to identify risk of material misstatements and misappropriation of assets due to fraud. The standard requires auditors to communicate the risk resulting from fraud together with recommendations to reduce fraud to management and those charged with corporate governance.

Literature reviewed by Mohammed 2012 asserts that if management fail to give adequate attention to recommendation to reduce fraud, the entity will end up having high fraudulent trading risk and misappropriation of assets due to fraud. Another stream of literature review by Marge etal (2010) asserts that in addition to financial expenses, fraud consisting embezzlement, asset misappropriation, and fraudulent trading can destroy a company's goodwill, disturb

shareholders' confidence and can as well result in the downfall of entities if management fails to give adequate attention to audit recommendations pertaining to fraud.

2.5.3 Going concern problems

The underlining assumption of the framework of presentation of financial statements is the going concern concept, the concept assumes that the company will continue in operation for a foreseeable future. It follows that the violation of this assumption symbolises a variation in financial reporting, which does not correctly reveal the company's financial condition Karagioges et al (2010). Statement of Auditing Standards No. 59 gives auditors the responsibility to examine the going concern status of an organisation that is whether there is a considerable doubt pertaining the client's capability to meet obligations as they become due for a period of 12 months. According to Amin and Harris (2012) after examining supporting factors and other substantial evidence, if the auditor still has considerable doubt about the viability of the organization, then the auditor is required to report the going concern status in a going concern explanatory paragraph in her report. Davies (2010) posits that if management is reluctant to take corrective actions pertaining the entity's going concern recommended by the auditor the entity will operate in violation of the going concern assumption.

2.5.3 Poor corporate governance

According to www.managementstudyguide.com accessed on 25 February 2015 at 20.16 pm corporate Governance is the various actions between participants of a company in shaping its performance and the way it is moving forward towards. Sound corporate governance makes certain of the success and economic growth of an entity (Ng'ang'a 2013). Ziegenfus (2009) asserts that a sound corporate government protect the confidence of investors as a result of that the company can effectively raise capital , provides proper inducement to the owners as well as managers to achieve objectives that are in interests of the shareholders and the organization and also minimizes wastages, corruption, risks and mismanagement.

Van Peurseem (2014) asserts that auditing plays important roles in all elements of corporate governance. According to them it is responsible for controlling corporate governance activities and compliance with organizational policies and other statutory provisions. The Republic of

Audit Commission also highlights that auditing analysis the proper functioning of the corporate governance activities and makes recommendations whenever it unearthed areas which need improvements. Literature reviewed by Karagioges et al (2010) asserts that auditing helps in maintaining sound corporate governance by revisiting the organization's way of doing things and its ethical policies to make certain that they are current and are being made aware to employees. It follows that the auditing team reports and makes recommendations on any anomaly in corporate governments. Mihiret and Yismaw (2013) however assert that if these recommendations are not implemented then the entity will have a poor system of corporate governance.

2.6 How to get action on audit recommendations

Auditors' recommendations are of paramount significance in a business economy that relies solely on independently generated information thus according to Van Peurse (2014). Audit reports play a role enhancing business performance and accountability, this however can be attained through effective implementation of the recommendations contained in the report (Ping et al 2011) According to Eden and Moriah (2010) control techniques are those processes designed to control, direct, and restrain the different activities of an entity with the aim of achieving organizational goals according to them, recommendations however have indeed proved to be an essential management equipment for attaining control in organisations in support the GAO highlighted ways to get action on audit recommendations.

2.6.1 Quality recommendations

An audit team performs an independent examination of financial statements together with systems and procedures, and gives suitable recommendations for upgrades when fundamental upgrades are required (Enofe et al 2013). The root for effective audit work are recommendations that when properly implemented, accomplish a characterized and also substantial results, recommendations which state a clear, convincing, and workable premise for implementation (GAO 2008). The audit quality, controlled by the auditing team's proficiency to give acceptable advantageous discoveries and recommendations, is vital for the viability of the audit team (Ng'ang'a 2013)

The audit team needs to demonstrate that it is of quality to the entity and acquire notoriety in the entity by giving personal satisfactory recommendations. (Sawyer, 2010). IIA (2010) require the auditor to properly plan and execute the worth of his or her effort such that he or she will be able to obtain suitable review discoveries and provide quality recommendations for improvements. According to Ziegenfus (2009) the audit team has to evaluate its performance and continually improve its service in order to provide quality recommendations. Another stream of literature reviewed by Barton et al (2014) posits that a recommendation that is not convincing won't be implemented, moreover a recommendation that does not correct the basic cause of a deficiency may not be implemented as well.

2.6.2 Competence of the audit team

Mulugeta (2008) states that there is a need for the audit team to be highly competent and highly qualified if an audit effectiveness is to be attained. Audit quality is a function of the level of staff expertise, the scope of services provided and the extent, to which audits are properly planned, executed and communicated (Enofe et al 2013). Literature reviewed by Endayah and Hanefah (2013) posits that objectivity is essential for any professional who provides professional judgment either by himself or through others, and without it this judgment loses its value and becomes meaningless in others' opinion. The need for objectivity is clearly evident in the business environment in general, and especially for auditors where the users of audit services depend in part on their opinions when they take their decision

The General Audit Bureau identified the absence of skillful auditing competent from staff as a standout amongst other primary issues underlying that noteworthy number for errors and irregularities that are being experienced by audited entities. Literature reviewed by DeAngelo(2009) posits that the principle reason for existing of an audit is to guarantee outsiders that the audited financial statements are free from material misstatements, the worth for an audit relies on the managers' ex-ante observation of the likelihood that the auditor will uncover the breaches or errors in the reporting weight framework and on the likelihood that the auditor will report those uncovered breaches or errors.

2.6.3 An independent audit team

The auditor's independence has been defined as the cornerstone of the auditing role and also as a key component compelling the execution of audit recommendations. (Alzeba and Gwilliam 2012). Auditor's autonomy is the foundation for auditors and a vital component in corporate reporting process and way prerequisite which includes worth on audited fiscal explanations (Ping et al 2011). The IIA Practice Advisory suggest for audit recommendations to be implement there should be that independence which is picked up through reporting weight on levels inside an association which permits the auditing team to execute its duties without interference, running away from clash about interests, the audit team having immediate contact to senior management, possessing unhindered entry to access records together with the team avoiding performing non-audit work.

2.6.3.1 How non audit service affects independence

Hayes *et al* (2005) infers that there exists a possibility to the hindrance auditor's independence both in mind and appearance the auditor's renders non-audit work to his or her client. Accordingly Okaro and Okafor (2009) assert that if the auditor's offers non-audit work to their clients it follows that they will not be independent since they will be auditing their own work. They went on to assert that for an auditor to be independent in appearance he shall not offer to the company non audit services. Accordingly because of worries pertaining to the impedance of auditor independence all over the world the Auditing Practices Board (2010) has restricted the auditors to provide Non-Audit Services to their clients.

An autonomous audit committee supports the independence of an external auditor, and makes certain that an auditor is free from any managerial influence, the committee should however carry out an informal and secrete meeting without the vicinity of the company's managers to energize the external auditor to be independent at an early stage (Adeyemi and Olowookere 2012). The more the independence of the audit team as far as reporting weight level, unrestricted contact to those charged with corporate governance, freedom from interference, free from clash of interest and the absence of non-audit activities the more effective the audit team

and the greater the chances management take adequate attention of their recommendations (Alzeban and Gwilliam 2012)

2.6.4 A high level of Management commitment

Top management together with those charged with corporate governance should exercise excessive support in the successful implementation of all programs and processes within an entity (Enofe et al 2013). Accordingly audit findings and recommendations will mean nothing and will not serve much purpose unless management and that charged with governance are committed to executed an implementation of them (Van Gansberghe, 2010). The Australian National Audit Office (2015) also posits that it is an entity's responsibility to manage the implementation of audit recommendations to which it has agreed, including determining an appropriate strategy to help achieve timely and effective implementation. It further asserts that the successful implementation of audit recommendations requires senior management oversight, implementation approaches that set clear actions and timeframes, and effective monitoring.

According to Van Gansberghe, (2010) the execution audit recommendations is profoundly important for the audit adequacy and the management of the audited entity is seen as the client accepting audit. He went on further to posit that management's unwavering commitment to effectively implement audit recommendations is vital to effectiveness of an audit. For an audit program to be effective senior management must articulate a clear statement of program expectations, they must also commit sufficient resources to implement recommendations and correct the irregularities on a timely basis (Auditing Roundtable 2015).

Mohamed (2012) asserts that for recommendations to be effectively implemented senior management should however initiate the success of an audit program by directing that managers at all levels work together fully with audit teams by indicating interest in the results of audits and by pressurising the timely rectification of the irregularities unearthed by the auditing team. Senior management must provide to methods to create and execute restorative activities and check their fruition for an audit to be effective (Abdullah et al 2014)). In support Alzeba and Gwilliam (2012) asserts that the greater the management support in the form of the way it acts to

the auditor's report together with the supply of adequate resources for the implementation of the recommendations the more effective the audit is.

2.6.5 Having an effective audit committee

Audit committees play a crucial role in ensuring reliable financial reporting, internal controls, external auditing and risk management through their diligent oversight efforts (Malik 2014). Cadbury committee (2010) suggested that the establishment of oversight committees such as the audit committee for the auditing of financial statements is of paramount importance. (Abdullah et al 2014) The Public Finance Management Act Chapter 22:19 of 2009 posits that every entities should establish an effective audit committee which is given a responsibility of reviewing internal controls together with the effectiveness of internal auditing programmes and auditing findings moreover to recommend suitable measures to be taken in implementing audit recommendations. Sawyer (2010) put more emphasis on the strength of audit committee strength asserting that it strongly affects the audit process and the implementation of audit recommendations. The ANAO, (2011) identified the controlling of management's effective implementation of audit recommendations as the major responsibility of an audit committee.

Adeyemi et al (2012) asserts that having an effective audit committee enhances the effectiveness implementation of audit recommendations since the audit committee has a responsibility of providing effective monitoring of the implementation process. In support Karagiorgos et al (2010) posits that an effective audit committee strengthens the position of the audit function by providing an independent and supportive environment and reviews the effectiveness of the auditing team. The audit committee is considered as a control mechanism that enhances accountability thereby adding the reasonable assurance that the interests of the various shareholders of the entity are being properly safeguarded through making sure that audit recommendations are properly implemented. (Abdullah et al 2014).

2.6.6 Rigorous follow up and monitoring

Literature reviewed by (Sawyer 2011) argues that for an audit to be more effective it should meet its purported outcome therefore the auditor's work is not over unless irregularities and anomalies are reversed. While one might think that the hard part of an audit is getting over it, it turns out

that the hardest part is after completion when corrective actions need to be adopted for recommendations to be implemented (Lewis and Pendrill 2009) he went on further to assert that for recommendations to be implemented auditors should come up with follow up procedures. According Millichamp and Taylor (2008) follow up procedures are those activities which are essentially directed towards ensuring implementation of recommendations; they are aimed at increasing the effectiveness of audit reports.

According to ANAO (2011) while implementation of audit recommendation is vested in the hands of management, the internal audit department should monitor the implementation progress. In support the United States General Accounting Office (2010) posits that the sole acceptance of audit recommendation does not guarantee results but the proper implementation does, therefore the auditor's continued attention is of paramount importance until results are properly achieved. To get effective implementation sometimes there is a need of a follow-up audit (ANAO 2011).

2.7 Summary

Chapter two has highlighted on what other scholars and researchers have said about implementation of audit recommendations. The research objectives were all covered. The next chapter will look into research methodology.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter describes the procedures that were used in carrying out this research. It deals with research design, population of study, sampling frame, sample and sampling techniques, research instruments, data collection procedure and data processing and analysis.

3.1 Research design

As advocated by Hans (2002) a research design is the overall plan for a piece of research including four main ideas thus the strategy, the conceptual framework, the questions of who and what will be studied and tools to be used for collecting and analysing the data. According to David and Rubin (2003) there are three types of research design namely explanatory, descriptive and casual research. The researcher used the descriptive research design method.

3.2 Descriptive research design

A Descriptive research design is a research geared towards providing answers rather than unveiling initial insights since sometimes the management may happen to know a lot about the research problem, understand key issues as well as questions that have to be asked thus warranting a descriptive research Hans (2002). The researcher used descriptive research design because according to Yin (2009) it is suitable for case study.

The merits involved with descriptive research when incorporated in case studies is that it enhances a detailed, holistic investigation of all characteristics of the population subject to study Fairfax Country(2012). He went on further to posit that it also yields data that are highly reliable and can utilize diverse measurement tools as well as techniques. According to Hans (2002) there

are three ways a researcher can go about doing a descriptive research project these are observational, case study and survey. The research was undertaken as a case study.

3.1.1 Justification of descriptive research design

According to Mugenda and Mugenda (2003) descriptive research design is appropriate because it involves collecting data in order to answer questions concerning the current status of subjects of the study. The researcher chose a descriptive research design because it can be undertaken using both qualitative and quantitative approaches to data collections (Bryman, 2012) and is well suited for case studies (Murthy *et al*). This research is a case study on investigating the impacts of non-implementation of audit recommendations at NSSA. The selected designs enabled the researcher to deduce an approach which prompted answers to the research problem in the most suitable way within the given constraints.

3.2 Case study

According to Yin (2009), case study research is an empirical inquiry of a problem within the real life situation. Bennett (2009) also asserts that a case study is a fairly intensive examination of a single unit, such as a person, a small group of people or indeed a single company The researcher used the National Social Security Authority as the case for the research.

3.2.1 Justification of a case study

The researcher used a case study on NSSA because according to Yin (2009) the single case study is a case that is representative or typical of a particular situation and it reveals a phenomenon hitherto unexplored.

3.3 Sampling methods

According to Fairfax Country (2012) there are two categories of sampling methods which include probability and non-probability sampling. He went on further to posit that probability sampling is used when the exact chances of selection for each population element are known.

Conversely, non-probability sampling encompasses sampling methods that do not incorporate the use of known probabilities of selection (Bryman 2012)According to the website the commonly used types of non-probability sampling include convenience sampling and judgmental sampling.

The author incorporated non-probability sampling, particularly convenience sampling and judgmental sampling. This was considered because of its ease to administer and that it is less complicated. The researcher had limited time frame to carry out the research which warrants the use of non-probability sampling as it less time consuming.

3.3.1 Convenience sampling

It involves choosing respondents at the convenience of the researcher (Yin 2009). He went on to posit that the sample is chosen on the basis of ease to access by the researcher and it incorporates the use of interviews.

According to Mugenda and Mugenda (2003) convenience sampling is advantageous in that it is easy to apply and can produce accurate research findings in a target population that is homogenous thus justifying the researcher to incorporate it. They went on further to posit that it presents the researcher with respondents that they have ease of access to, and is less costly and it saves time. These merits propelled the researcher to adopting this technique. However Hans (2002) argued that it is criticized of its lack of sampling accuracy but this has been curbed by incorporating judgmental sampling.

3.3.2 Judgmental sampling

Judgmental sampling is sometimes referred to as purposive sampling and involves the researcher employing their own expert judgment in respect to which respondents should comprise the sample frame Hammersley (2002).

The merits involved with judgmental sampling are that it has a low sampling cost and can be employed over a short time Kothari (2010). He went on further to posit that it also allows the researcher to select respondents who are well vested with the topic under study which implies that there is lesser distortion of results.

Judgmental sampling was applied for this research because (Yin 2009) posits that it produces reliable samples that are most representative of the target population. It also enabled the researcher to choose respondents who were regarded to be in the best position to supply the required information best suited to probe answers to the research problem.

3.4 Population and Sample size

3.4.1 Population

Polit and Hungler (2010) refer to population as an aggregate or totality of all the objects, subjects or members that conform to a set of specifications. Also according to Saunders (2010) a population in research refers to any group of individuals that have one or more characteristics in common that are of interest to the researcher. A study population is a group of people or items which we want to obtain information as propounded by Harper (2013). In this research the target population from which the information was solicited by the researcher was one hundred and seventy three (173) respondents.

3.4.2 Sampling frame

The sampling frame is the list from which the prospective respondents are drawn. Fairfax County (2012) defined sampling frame as an exhaustive list of all members of the population from which a sample can be drawn. The targeted population of the research consist of all Directors, Chief Accountants, Accountants, Internal auditors, information and technology staff, Accounting Assistants and Administration Staff.

The sampling frame is as given in table 3.1:

Table 3.1: Sampling frame

Employee Grade	Population	Interviews	Questionnaires	Sample
Finance Director	1	1	0	1
Other Directors	10	2	3	7
Legal Advisor	1	1	0	1
Chief Accountants	3	1	1	2
Regional Accountants	16	3	6	12
Regional Bookkeepers	16	2	5	11
Accounts Clerks	32	4	8	13
Internal auditors	7	2	3	5
External audit team	12	1	0	1
Administration staff	86	2	19	26
TOTAL	184	19	45	64

The sample consists of 9 purposively picked employee grades from the *entity*

3.4.3 Sample size

A sample is defined as any group on which information is obtained to represent the larger population (Frankel and Wallen, 2010). In this study sixty-nine (69) respondents of the accessible population constitutes the sample size.

3.4 Data sources

The research was carried out using both primary and secondary sources of data. The researcher used both primary and secondary sources of data to give an accurate coverage to the research topic.

3.4.1 Primary data sources

Hox and Boeije (2005), asserts that this involves accumulation of data for a specific identifiable problem being researched, the data so collected originates from the researcher and thus are current, of an original nature and readily suited for the research problem at hand. The researcher collected the data through interviews and questionnaires. Primary data was incorporated by the researcher because according to Kothari (2010) it is envisaged to produce direct and useful information best suited for the requirements of this study.

The author used primary data collection because of its advantages of producing data which relate to the situation at hand the results addressed the impacts of non implementing audit recommendations.

3.4.2 Secondary Data sources

Secondary data are data originally accumulated for a different purpose and then incorporated in another research problem (Kumar 2011). The researcher used secondary data because it is timely for it is already in the organization.. Secondary data incorporated for this study include internal audit reports, external audit reports management reports, minutes for board meetings, stock count reports and the financial statements of NSSA.

The drawback faced by the researcher in using secondary data was that because of confidentiality the researcher was not given enough sources of secondary data.

3.5 Data Collection Techniques

This research used a triangular approach. A number of techniques were used and these include questionnaires and interviews

3.5.1 Questionnaires

According to Kumar (2011) a questionnaire entails a compilation of a set of questions tailored to derive responses from participants in respect to the problem under research. According to him the questions are asked to individual respondents to acquire useful data about the topic being researched, they involve the respondents getting the questions, interpreting what is required and documenting the responses individually. The questionnaires were economical to the researcher,

they also enhanced uniformity since respondents were given the same set of questions. However they were time consuming as respondents took their time in answering the questionnaires.

3.5.1 Pre-Testing of Questionnaire

Once the questionnaires were developed by the researcher they were tested to staff at NSSA Gweru. The testing of questionnaire was carried out to confirm the suitability for the intended purpose. This helped the researcher in redesigning it better and estimates the amount of time and money that was required to collect and process the data effectively.

3.5.1.1 Administration of questionnaires

The questionnaires were hand delivered by the researcher to the respondents. Due to limited resources the researcher delivered the questionnaires to respondents at NSSA Gweru.

3.5.2 Interviews

The interview is a very adaptable and powerful method in a broad range of research projects and in its generic form it is not closely identified with any specific research paradigm, disciplinary perspective or substantive field (Dunne, et al. 2010). To remain focused, the researcher used structured interviews in this study to avoid asking unnecessary questions. Interviews allowed the researcher to effectively explore into the primary answer of the respondents to gain an in depth response to research questions.

The merits of interviews were that they allowed the researcher to make use of the non-verbal languages of the interviewee to draw conclusions in the case of face to face interviews, also respondents were given time to explain further hence enhancing the validity of the data. The demerits associated with interviews was it was difficult to get hold of all the interviewees since they were occupied with other tasks.

3.5.2.1 Interview administration

Interview appointments were made well in advance by the researcher to give room for preparation by the interviewees. The researcher conducted both telephone and face to face interviews

3.5.2.2 Justification for use of interviews

The researcher used interviews to collect in-depth data which can probe answers to the problem being researched. They have also been considered so that they can complement the questionnaires thus producing a good quality research.

3.6 Reliability and validity

Reliability refers to the degree by which independent researchers studying the same topic within the same prescribed working framework come up with similar results. Reliability is therefore, “the degree of consistence that is demonstrated by the procedure employed in a study to give reliable estimates,” Davies (2011).

To enhance validity and reliability of research findings, the author eliminated or at least reduced bias and ambiguity by using both questionnaires and interviews. The researcher also engaged in rigorous fine-tuning of questions integrated on the questionnaires to make them clear and easy to comprehend. Also before the questionnaires were administered to participants the author conducted a pilot-test by using 4 classmates at Midlands State University. This was meant to assess whether the questionnaires were easily comprehensible and well suited to probe answers to the research problem under study. The 4 classmates chosen for the pilot-test had done auditing and accounting courses already and thus were presumed to understand the purpose underlying the research and the repercussions thereof. The constructive criticisms and responses forwarded by the 4 pilot-test classmates were incorporated by making necessary amendments and revision to the questionnaires.

3.7 Data presentation and analysis plan

Data collected was analyzed, summarized, verified, edited, and tabulated. Editing was done to check for potential errors together with omissions which could have been made by the researcher or by respondents and to improve the quality of data for presentation. The data was also classified and tabulated so that an analysis could be made. For each question, the researcher calculated the total per each response category for example the total of those who strongly agreed were uncertain or disagreed then convert the frequencies to percentages and finally presented the data in form of tables, graphs and pie charts. All tables and charts were clearly labeled and presented so that the reader could rapidly make sense of the information contained in

them. Interview responses were analysed and linked with questionnaire responses and supported with literature review.

3.8 Summary

This chapter covered research methodology, research approach, research design, target population and sources of data. The data collected through the various techniques is analysed and presented in the next chapter.

CHAPTER FOUR

Data presentation and analysis

4.0 Introduction

This chapter presents data collected and discussion of the findings. The findings are based on data collected by use of both questionnaires and interviews so as to investigate the impacts of management's non-implementation of audit recommendations and its impact to risks at NSSA.

4.1 Response rate

For the purposes of this study, questionnaires totaling 35 were administered at NSSA. Table 4.1 below depicts the response rate of the target population under study.

Table 4.1 Questionnaire response rate

Department	Distributed	Returned	% completed
Directors	3	3	100
Chief Accountants	1	1	100
Accountants	6	5	83
Bookkeepers	5	4	80
Accounts Clerks	7	7	100
Internal Auditors	3	3	100
Administration Staff	10	7	70
Total	35	30	86

As shown in table 4.1 above 30 questionnaires were returned yielding a response rate of 86%. This however can be argued to be a satisfactory response rate as more than three quarters of the target population responded. This is supported by Richardson (2005) who posits that a response rule of thumb of 60% and above is well desirable.

4.1.1 Position held within the organization

The motive behind this question was to get satisfaction that the respondents were among the employee grade targeted. The response rate was converted to a percentage as shown in Fig 4.1

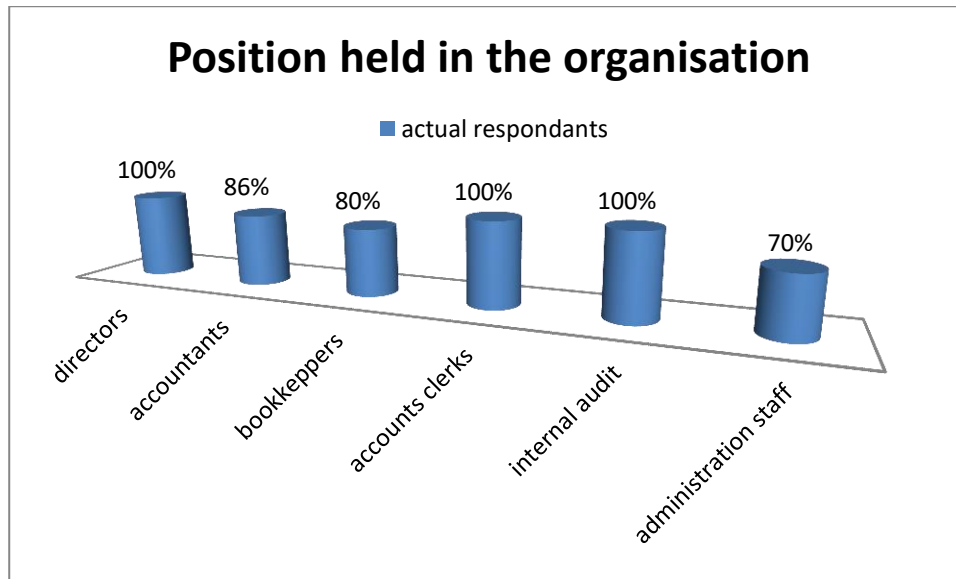


Fig 4.1 position held within the organization

In each employee grade the aim was to test at least 50% and above in order to get reliable information. As show above all the employee grades scored above 50% with administration staff scoring the lowest percentage of 70%. This is in agreement with Klopp, T. (2011) who posits that for each sample to be reliable at least 50% or more of the target group must be selected.

4.2.3 Length of service

The aim of the question was to find out how experienced the sample is the results are presented below.

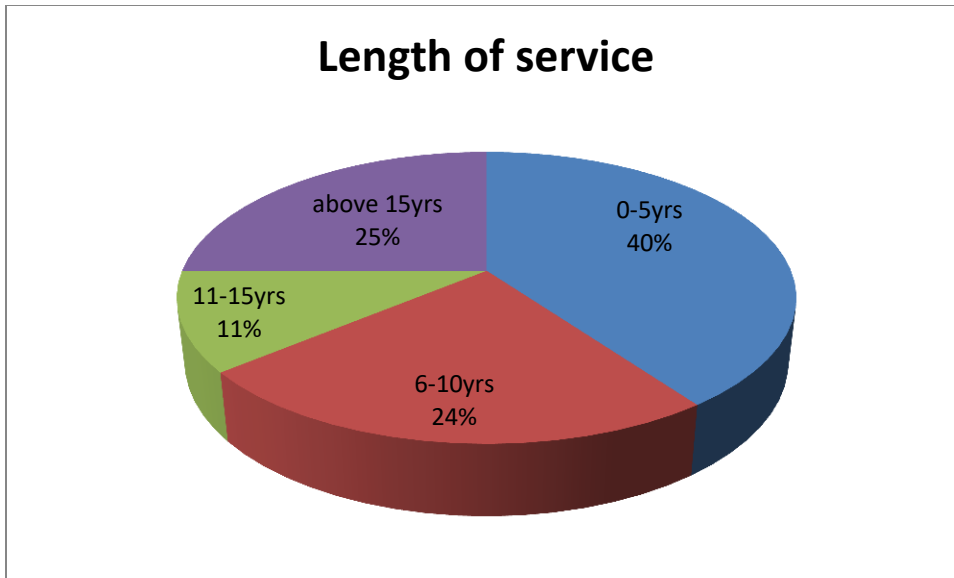


Fig 4.2 Length of service

From fig 4.1 above it can be seen that 40% of the sample ranges within 0-5years experience with NSSA, 24% ranges from 6-10yrs, 11% ranges between 11-15yrs and 25% have saved NSSA for above 20yrs.

It can be drawn that the respondents are in a position to present reliable information this is supported by Balkaran, (2010) who cited that, any worker who has more than two years operation experience with the same organization has the capability to provide reliable information about that organization.

4.2.4 Existence of an audit

The aim was to find out if NSSA is being audited by both external and internal auditors at least once a year.

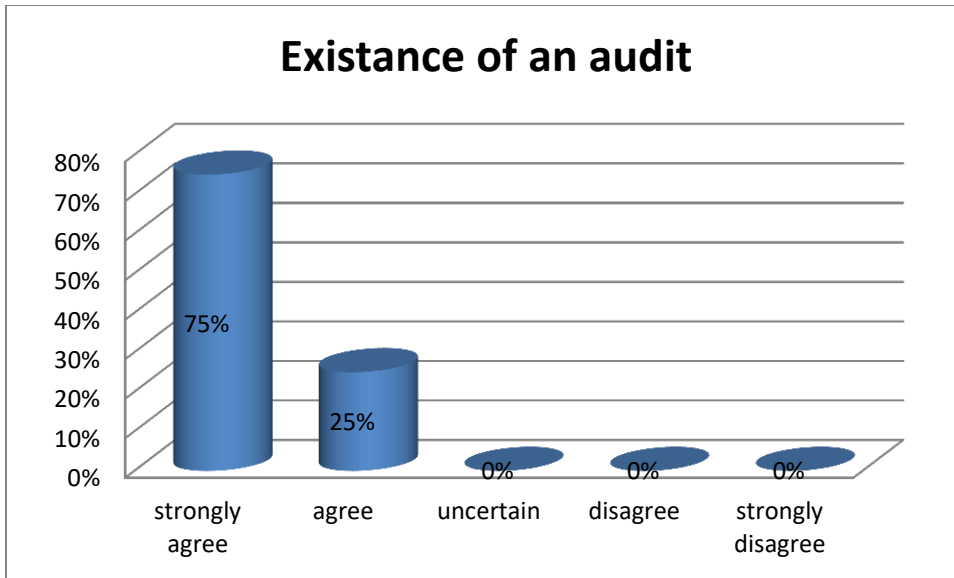


Fig 4.3 existence of an audit

4.2.5 Who an auditor is viewed as

The question was aimed at finding out the perception of who an auditor is in the eyes of participants. The results are shown in the chart below.

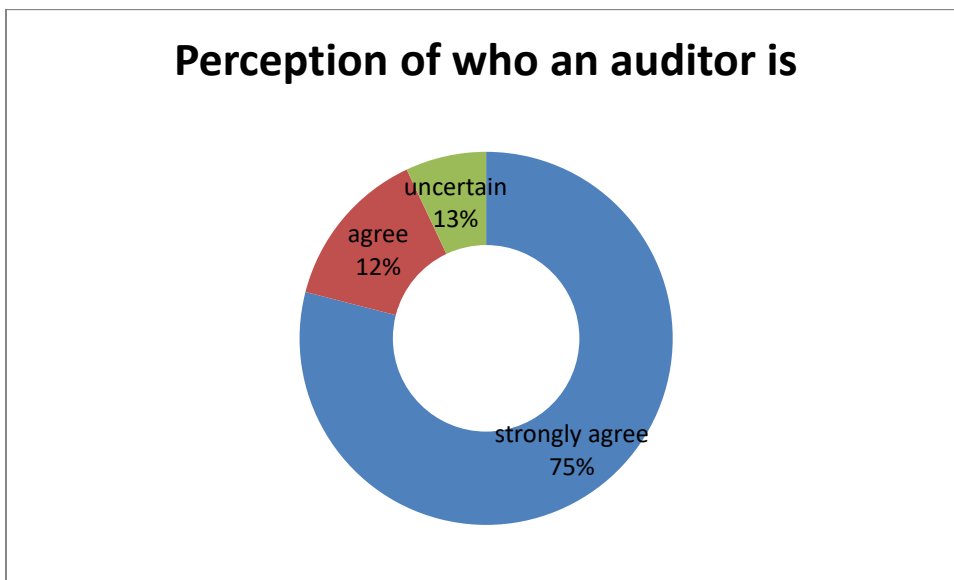


Fig 4.4 Perception of who an auditor is

From the above chart it can be seen that 7% of the respondents view an auditor as a supervisor, 14% view an auditor as whilst a greater portion of the respondents that is 79% views an auditor

as watchdog. This is supported by Jackson and Stant (2010) who assert that an auditor is not a bloodhound but however a watchdog who barks only when there is an irregularity with the aim of alerting the master.

4.2.6 The need to audit financial statements

The aim of the question was to find out if respondents viewed an audit of financial statements as a need.

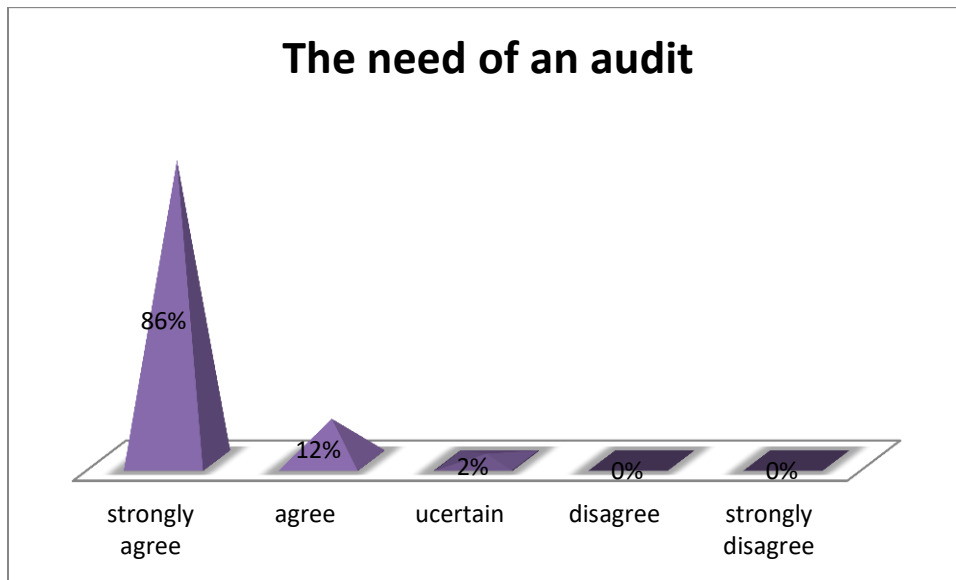


Fig 4.5 the need to audit financial statements

From the above fig 86% of the respondents strongly agree that there is a need to audit financial statements, 12% agreed and 2% were not certain as to whether financial statements need to be audited or not. This is supported by the NSSA Act 1989 chapter 17.04 which state that the authority's financial statements need to be examined by both the internal and external auditors at least once every year.

4.2.7 Management is responsible for formulating and implementing risk management plans

The motive behind asking this question was to establish whether management and staff were aware that it is the duty of managers to manage risk in an organization. The results were presented in the following figure

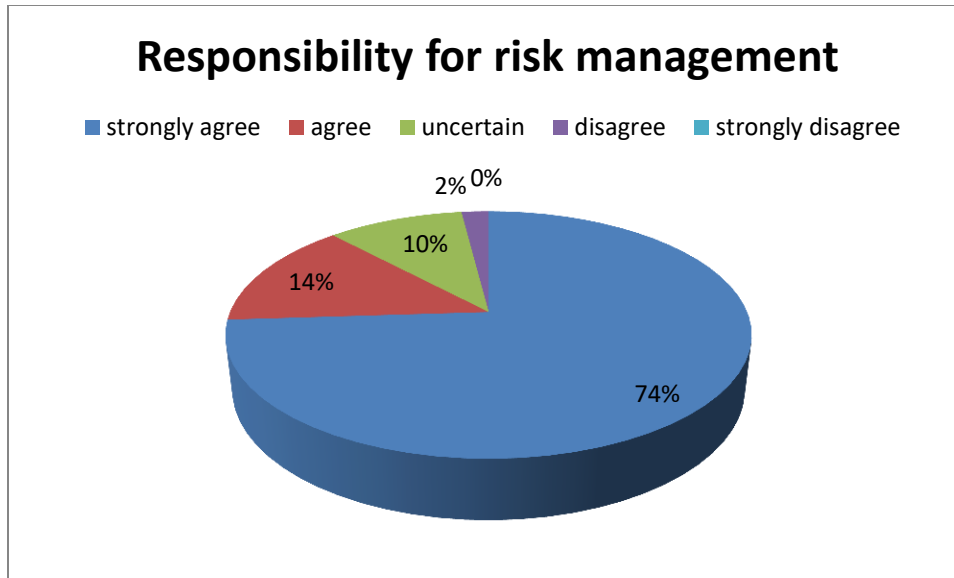


Fig 4.6 Responsibility for risk management

Of the total participants 74% which is the mode strongly agree that it is the responsibility of management to manage risk in an organization, 14% of the population agreed, 10% was uncertain whilst 2% disagreed. In total 88% of the participants shows that managers are responsible for risk management including the implementation of recommendation and are aware of their responsibility. This is supported by Jackson and Stent (2010) who posits that the responsibility of risk management together with implementation of audit recommendations is vested in the hands of management.

4.2.9 Auditors play a role in helping management to reduce risks

The aim was to establish if management and other staff acknowledges auditing as a risk management tool which helps management in reducing overall business risks. The information is presented in figure 4.7.

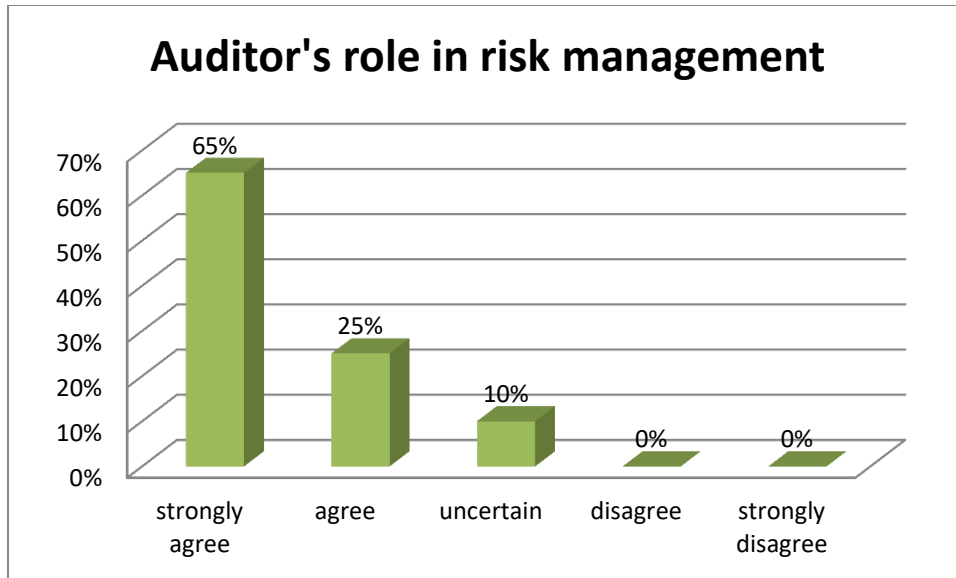


Fig 4.7 Auditor's role in risk management

Of the total participants 65% which is the mode strongly agree , 25% agree that auditors play a crucial role in risk the risk management policy as they help management to reduce risks whilst 10% were uncertain as whether auditors play a role or not. On total 90% that is 65% of the respondents plus 25 % are of the opinion that auditors play a role in risk management, this is supported by the Institute of Internal Auditors (2010) which posits that an audit gives an objective assurance that key risk areas are appropriately managed as well as providing assurance as to whether risk management together with the internal control framework are operating effectively

4.2.9 Attention on recommendation

The idea behind asking the question was to find from the participants whether audit recommendations are being given adequate attention.

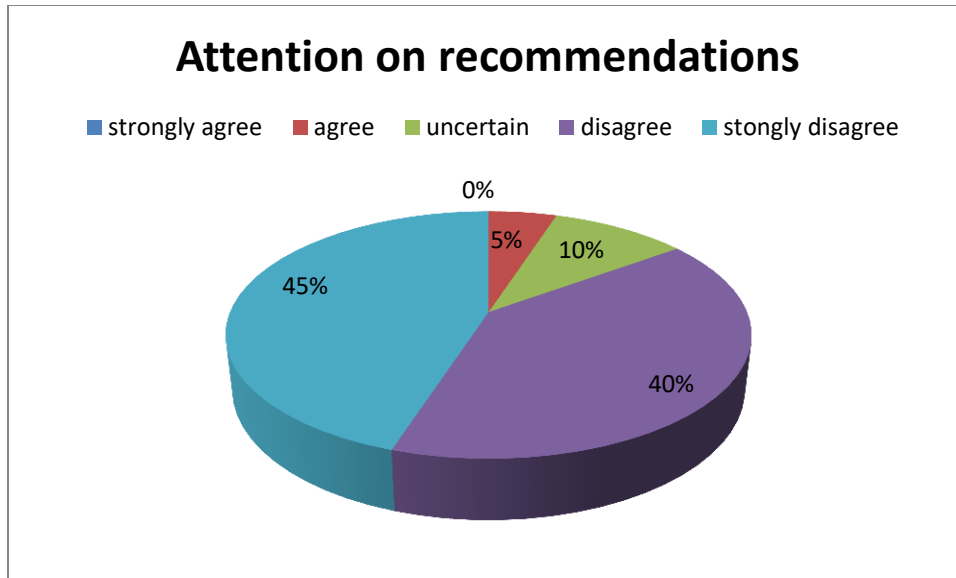


Fig 4.8 attention on recommendations

From the above fig 4.8 above 5% agree that recommendations are being given adequate attention, 10% are uncertain whilst 85% which is the mode are of the opinion that audit recommendations are not being given adequate attention. This is not in agreement with Van Gansberghe (2005) who states that therefore implementation of all audit recommendations is highly relevant to audit effectiveness

4.2.9 Audit recommendations are well communicated

The main aim if this question was to establish if audit recommendations are being well communicated. The results are presented in the following figure.

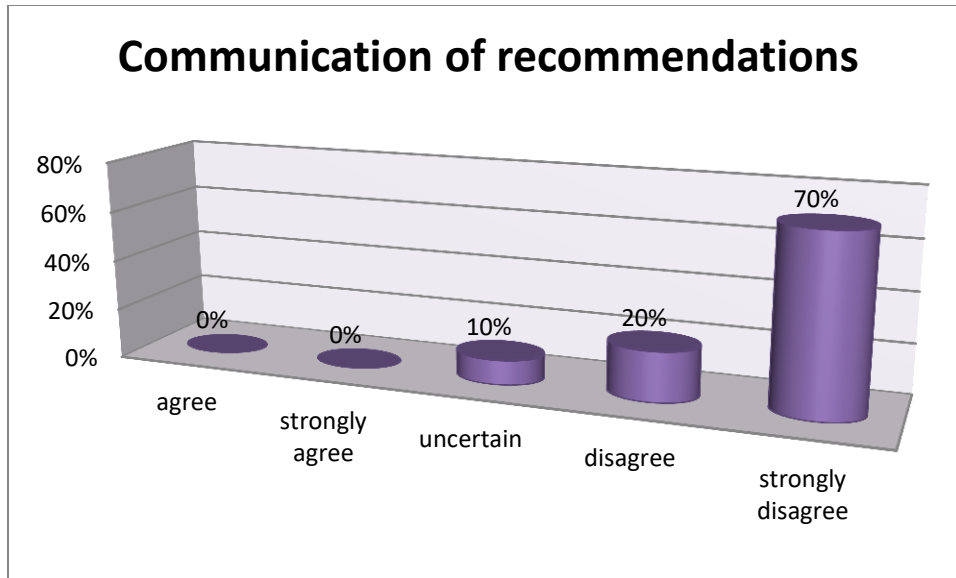


Fig 4.9 Communication of recommendations

From the findings, 10% of the respondents are uncertain, 30% disagree whilst 70% which is the mode strongly disagree that the audit recommendations are well communicated. This is supported by Mihiret and Yismaw who pointed out that failure to effectively communicate auditing findings and gain management's understanding of the recommendations hinders effective implementation of the recommendations.

4.2.10 Top management do not support implementation of recommendations

The motive behind asking this question was to find out if the non implementation of recommendation has something to do with lack of support from top management. The results were presented in fig 4.9

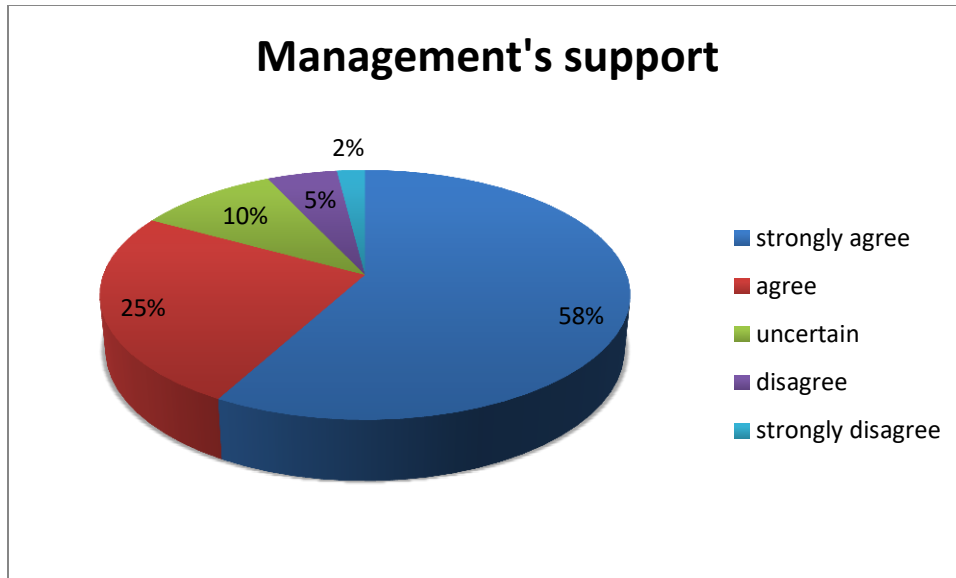


Fig 4.10 Management's support

Of the respondents 83% that is (58% + 25%) confirmed that top management do not support the implementation of audit recommendations. 10% were uncertain and 7% that is (5% +2%) disagreed to the fact that management do not support implementation of recommendations. This however is contrast with Mohamed (2012) who posits that for recommendations to be effectively implemented senior management should set the tone for the success of an audit program by directing that managers at all levels cooperate fully with audit teams through showing interest in the results of audits and by insisting on timely correction of nonconformities identified in the course of audits

4.2.11 Independence of the audit team

The aim of the question was to investigate whether the audit and risk committee of NSSA is independent that they are not influenced by top management to collide and override audit recommendations. Fig 4.11 illustrates the findings.

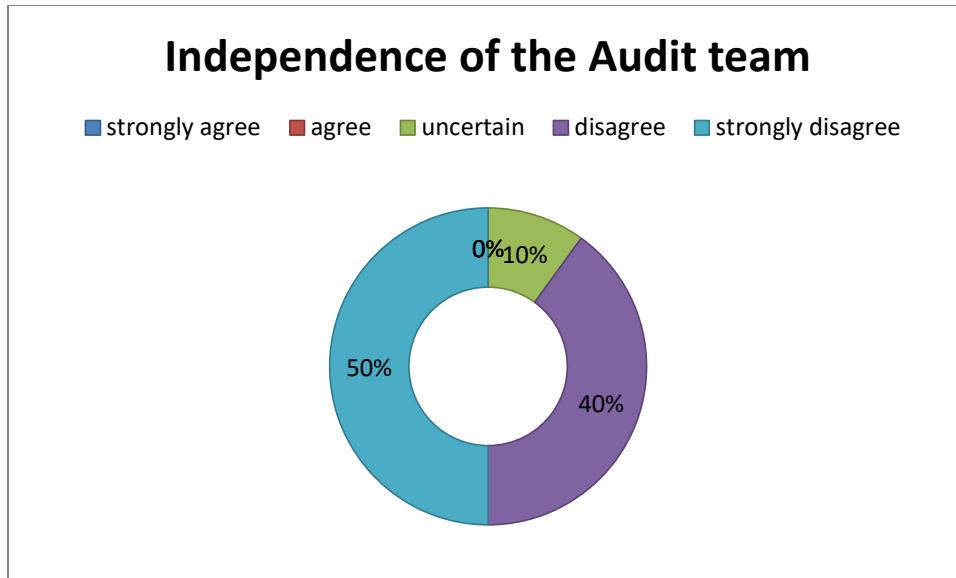


Fig4.11 independence of the audit team

From the chart above a total 90% that is 50% who strongly disagree and 40% who disagree indicated that the audit team is not independent, with only 10% percent being uncertain. The 90% response shows that the team is not independent this is in contrast with Al-Khadhash et al (2013) who argues that if the audit team is not independent both in appearance and in appearance, management can be reluctant to implement its recommendations.

4.2.12 Observance of good corporate governance practices and principles by board

The idea behind asking this question was to determine whether there was a sound corporate governance at NSSA .

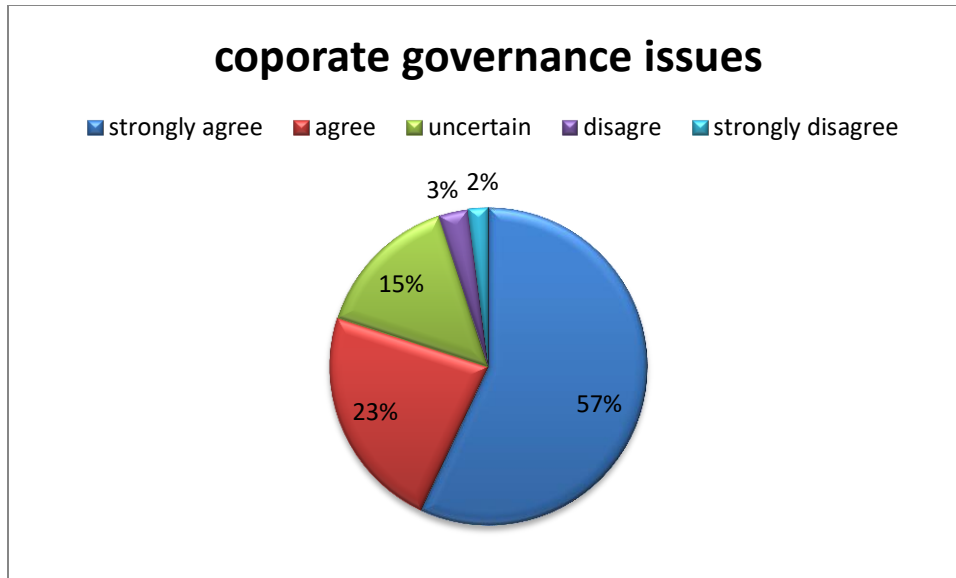


Fig 4.12 corporate governance issues

From the pie chart above 83% of the participants is of the opinion that NSSA is not observing good cooperate governance whilst 15% is uncertain. On the other hand only a total of 5% feels that the board is observing good corporate governance. This however is in contrast with Julian and Riger (2011) who states that entities need to observe good cooperate governance principles and practices.

4.2.13 Effects of non-implementation of recommendations on fraud risk.

The aim here was to find out if the effects of non implementing recommendations are known.

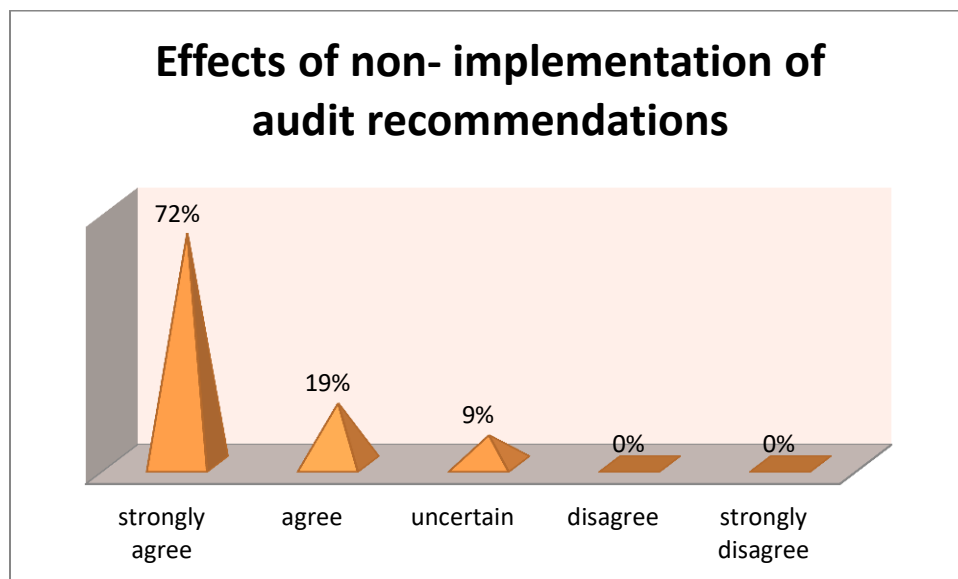


Fig 4.13 impacts of non-implementation of recommendations to fraud risks.

From Fig 4.12 above 91% (72% +19%) of the participants confirmed that when recommendations are not implemented, prevention and detection of fraud and protection of assets is complicated. The results was in agreement with Mohammed 2012 who assert that if management fail to give adequate attention to recommendations pertaining internal controls, investments and protection of assets the entity will end up having fraud and fraudulent trading cases together with high rates of misappropriation of assets.

4.2.14 Overlooking audit recommendations increases business risks

The aim was to find out whether the effects of non-implementation of audit recommendations to risks are known.

Table 4.2 Effects of non implementation of audit recommendations

	Strongly agree	agree	Not sure	Disagree	Strongly disagree
Response rate	4	23	3	0	0
%	14	78	8	0	0

As shown in the table above 14% of the respondents strongly agreed that audit recommendations should not be overlooked and 78% agreed that non-implementation of audit recommendations have an impact to risks. However, 8% of the respondents were not sure whether neglecting or not has any direct influence. This is supported by Ridley (2009) who posits that because of non-implementation of recommendations many organizations are at high overall business risks.

4.2.15 Follow up on recommendations

The question was aimed to find out if participants agree that internal and external auditors have to make follow up in order to get action on their recommendations.

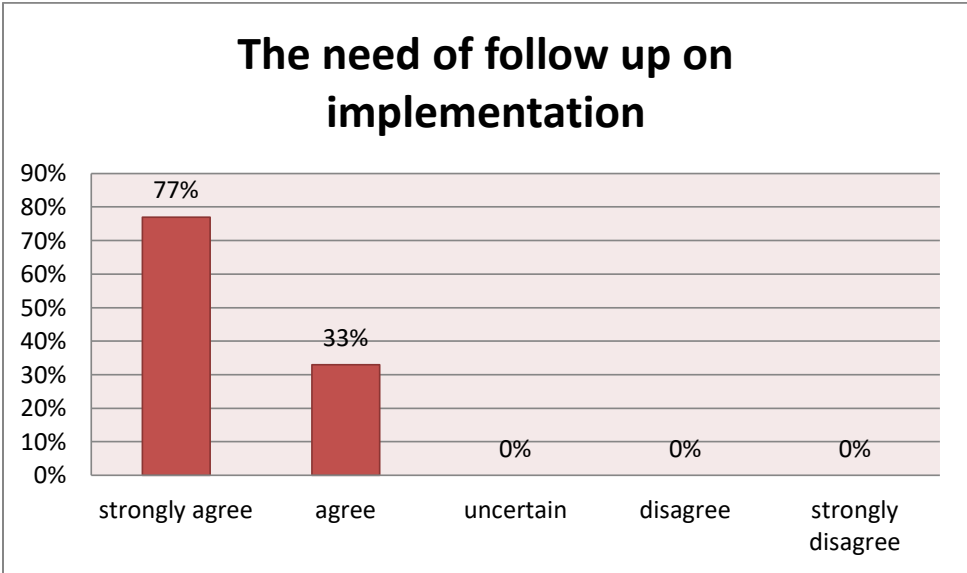


Fig 4.14 Need for follow up on recommendations

Of the participants 77% strongly agreed and 33% agreed confirming that there is to be rigorous follow up and monitoring from both internal and external auditors to ensure that audit recommendations are well implemented. This is in agreement with Sawyer (2011) who argues

that for an audit to be more effective it should meet its purported outcome therefore the auditor's work is not over unless irregularities and anomalies are reversed and remain corrected.

4.2.16 Corporate governance issues

The aim here was to test if participants view sound corporate governance as an ingredient for effective implementation of audit recommendations. The results were presented in the following chart.

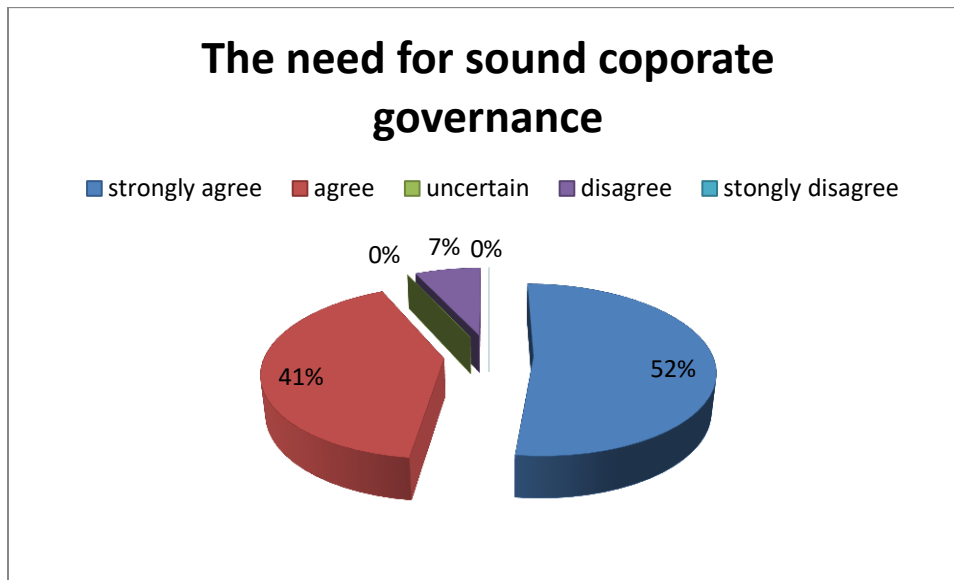


Fig 4.15 The need for sound corporate governance

From Fig 4.14 above only 7% disagreed whilst 93% of the participants were of the opinion that for recommendations to be implemented the board need to observe good corporate governance practices and principles. This is supported by Karagioges etal (2010) who argued that sound corporate governance enhances the implementation of recommendations.

4.1.17 Management's commitment

The question was aimed to test if the participates view top management commitment as an essential element for the effective implementation of recommendations. The results were presented in fig 4.13 below.

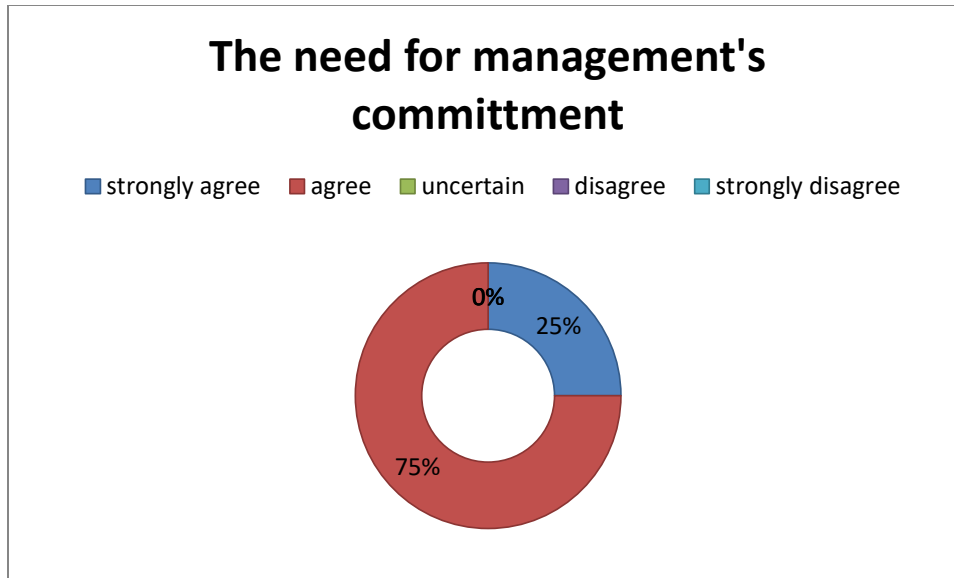


Fig 4.16 The need for management’s commitment in implementing recommendations.

All the participants (100%) were of the opinion that top management need to be committed for recommendations to be implemented. This is supported by Mihret and Yismaw who assert that management support with resources and commitment to implement the internal audit recommendations is essential in attaining audit effectiveness

4.2.17 Communication of recommendations

The question was designed to find out if participants agree that for recommendations to be implemented there should be improved communication of recommendations to management and those charged with corporate governance. The results were presented in fig 4.17

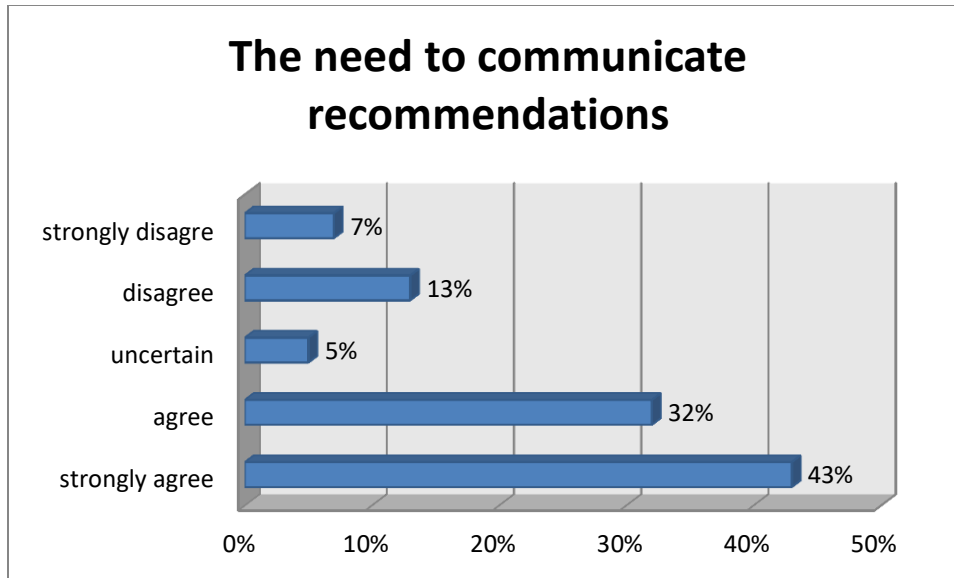


Fig 4.17 communication of recommendations

From fig 4.17 above it can be noted that 7% strongly disagreed, 13% disagreed, 5% is uncertain whilst 75% are of the opinion that for recommendations to be implemented there should be improved communication of recommendations. This was in agreement with literature reviewed by Xiangdong who posits that sufficient information to enable those charged with governance and management to understand the context of the recommendations needs to be well communicated to them for recommendations to be implemented.

4.2 Interview analysis

The researcher conducted interviews with some members of NSSA. The researcher managed to interview one of the external audit team who was available at the organisation as they were in the process of examining the 2014 financial year end accounts

4.2.1 Interview response rate

The mission of the researcher was to interview a total of 19 participants however she managed to interview 13 members which represent 68% .The other members were not available at the time of interviews. The response rate is illustrated in the table

The interview response rate is illustrated in the following pie chart.

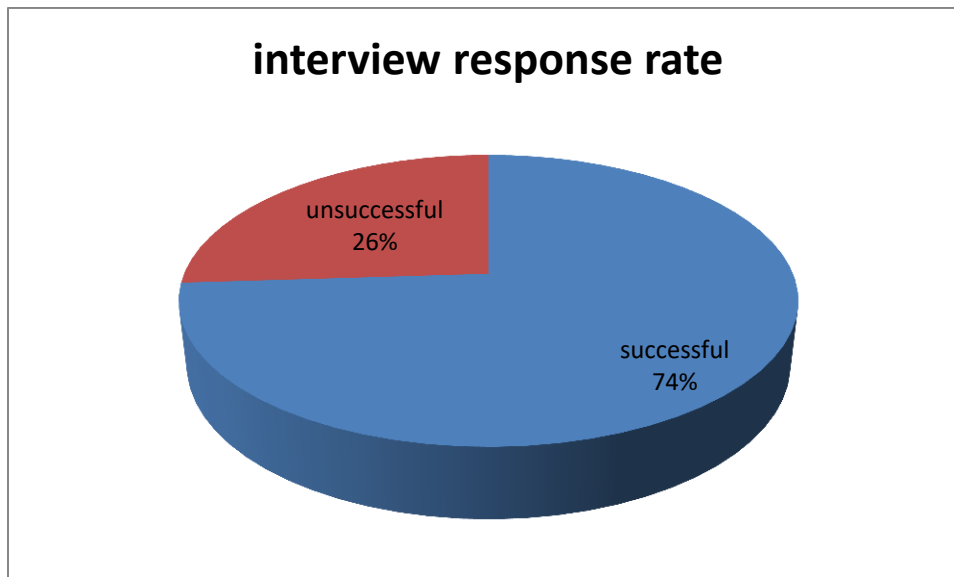


Fig 4.18 interview response rate

4.2.2 The usefulness of audit recommendations

The objective of this question was to determine if management and staff see the usefulness and value of audit recommendations being issued to the authority.

All the participants in the interview that is 100% were of the opinion that audit recommendations being made are useful given that they are well implemented. Participants mentioned that the recommendations were useful in the sense they address the authority's overall business risks and are intended to correct irregularities in controls put in place to prevent, detect and correct fraud and misappropriation of the authority's assets. The same view was shared by questionnaire respondents on question 4.1.9 where 95% of the respondents were of the opinion that audit recommendations play a role in risk management. In support Mihret and Yismaw pointed out that an effective audit undertakes an independent evaluation of financial and operating information and of systems and procedures with the view of providing useful recommendations for improvements as necessary.

4.2.3 Responsibility for risk management

The objective of this question was to establish whether participants were fully aware that the responsibilities of implementation audit recommendations as well as the effective management of risk is vested in the hands of management. The findings were a mixture of responses of the thirteen respondents three individuals that is 33% were not sure who was responsible however the mode which is ten individuals with a percentage of 77% highlighted that it is the responsibility of management. The same view was shared by questionnaire respondents on question 4.1.7 and 88% of the respondents were of the opinion that managers are responsible for risk management. The response is in agreement with Jackson and Stent (2010) who assert that the responsibility of preparation of financial statement, designing of internal controls and managing risks including the implementation of recommendation is vested in the hands of management.

4.2.4 Attention to audit recommendations

The motive behind asking this question was to find out from the participants if all recommendations were being effectively implemented.

All the respondents highlighted that not all recommendations are effectively implemented, respondents mentioned that there are some recommendations which are repeatedly occurring in auditors reports year after year the sole reason being that they are not implemented in the year of

issue. This question was asked to questionnaire respondents on question 4.1.8 where 85% of the respondents were of the opinion that audit recommendations are not being well implemented. This is in contrast with Mihret and Yismaw who posit that an audit is effective if and only if it meets the intended outcome it is supposed to bring about, therefore implementation of all audit recommendations is highly relevant to audit effectiveness

4.2.5 The effects on non implementation of audit recommendations to risks

All the participants were of the opinion that non-implementation of audit recommendations have an impact to risks. The same view was shared by questionnaire respondents on question 4.1.14 where 78% agreed that audit recommendations are of great significance and non-implementation have an impact to risks. This is supported by the ANAO (2008) which posited that overall business risks increases if recommendations are not given adequate attention.

4.2.6 Causes of non-implementation of recommendations

The objective of the question was to find out from the respondents the reason why audit recommendations were not being given adequate attention.

All the participants provided the researcher with at least one cause of non –implementation. The causes provided are listed and analyzed below

4.2.6.1 Audit recommendations are not well communicated.

Of the total respondents 70% were of the opinion that the reason behind non-implementation of audit recommendations was because the recommendations are not well communicated. The same question was asked to questionnaire respondents on question 4.1.9 where 90% were of the opinion that audit recommendations are not well communicated. This however is in contrast with Walker (2010) who posits that no matter how well the auditors has planned and performed the audit or how significant the findings are, the report may fall into disuse if it is not well communicated to all management and those charged with corporate governance for they are the one who are responsible for implementing them.

4.2.6.2 Lack of commitment from management

All the interview respondents that are 100% mentioned that the management's response to audit findings and recommendations is generally not adequate as they lack commitment. The same view was shared by questionnaire respondents on question 4.1.10 where 83% were of the opinion that managers lack commitment to implement recommendations. Davies (2012) does not support the results as he argues that management support with resources and commitment to implement the audit recommendations is essential element in the achievement of auditing objectives.

4.2.6.3 The audit team is not independent

Of the participants 77% highlighted lack of auditing team's independence as the cause of non implementation of audit recommendations. Questionnaire participants on question 4.1.11 expressed the same opinion where 90% felt that the audit team is not highly independent. However according to Lowe et al (2010) who posits that auditor independence is the cornerstone of the audit function .

4.2.7 How to get action on recommendations.

The aim of the question was to get from the respondents the actions which need to be taken in order to get all recommendations implemented.

Each respondent came up with at least one action which needs to be taken for audit recommendations to be implemented. The actions are analyzed below

4.2.7.1 There should be rigorous follow up from both external and internal auditors

All of the participants were of the opinion that follow up procedures from the auditors are needed for recommendations to be implemented. The same action was also recommended by questionnaire participants on question 4.1.15 where all the participants are of the opinion that follow up procedures from auditors is essential for recommendations to be implemented. This is in agreement with Walker (2010) who states that though management should take responsibility for the risks of not implementing the audit recommendations, it should be the responsibility of auditors to follow-up the implementation of audit recommendations.

4.2.7.2 There should be improved communication of recommendations to those charged with corporate governance and management.

All the participants felt that for recommendations to be implemented there is a need to improve audit communication. They were of the opinion that on top of having exit meetings with the audit and risk committee auditors should issue a copy of recommendations to each and every director and to each and every top manager. The same view was shared by questionnaire participants on question 4.1.18 where 75% were of the opinion that there is a need to improve communication of recommendations. This is supported by Mihiret and Yismaw (2013) who pointed out that failure to effectively communicate auditing findings and gain management's understanding of the recommendations hinders effective implementation of the recommendations.

4.2.2.6.3 Corporate governance issues.

All the participants had the opinion that if the board observes good corporate governance practices and principle recommendations can be given adequate attention. This view was also shared by questionnaire respondents on question 4.1.16 where 93% of the participants were of the opinion that for recommendations to be implemented the board need to observe good corporate governance practices and principles. This is supported by Karagioges et al (2010) who argued that sound corporate governance enhances the implementation of recommendations.

4.2.2 6.4 Management need to be highly committed to implement recommendations

All the participants felt that there is a need for management to be highly committed to implement recommendations. This view was also shared by questionnaire respondents on question 4.1.17 where all the participants were of the opinion that top management need to be committed for recommendations to be implemented This is supported by the GAO which states that getting action on recommendations depends to a great extent, on management commitment, no matter how well audit recommendations have been communicated if management lacks commitment action on the recommendations will not be taken.

4.3 Data analysis on secondary data

Secondary data was reviewed from audit reports files from 2010-2014, auditors' exist meeting minutes and annual general meeting minutes.

According to the 2014 auditor's report the Authority should put in place a system that regulates related party dealings in order to avoid related party transactions' (Auditor's report 2014). This was after the authority had signed another contract with FBC Bank in August 2014 for FBC to sell the authority's Masvingo-Rusununguko stands, after that recommendation has been repeated from 2010-2013. This indicated that NSSA is still not giving attention to audit recommendations. This is however in contrast with the ANAO (2008) which states that the risks remain high, if recommendations are not implemented within the agreed timeframe

From the membership in board report (2014) the researcher also noted that that out of the eight board committees of NSSA, one board member was a chairperson in four of them, namely: Corporate Governance and Strategy Committee, Audit and Risk Committee, Benefits Appeals Committee and Human Resources and Public Relations Committee. This is not supported by the King III principles of corporate government which states that for a member to chair multiple committees there is risk of overlapping power and influence across committees.

4.4 Summary

The chapter focused on the analysis and presentation of the data that was collected in the previous chapter. The findings and analysis were oriented towards investigating the impacts of non-implementation of audit recommendations to risk.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter presents a summary of key data findings, conclusion drawn from the findings highlighted and recommendation made there-to. The conclusions and recommendations drawn were focused. The chapter also dwells on the chapter summaries, major research findings and conclusions. The chapter also gives recommendations to the National Social Security Authority which are intended to assist in getting action on recommendations within agreed time frames. Finally it also focuses on suggestions for further research forwarded by the researcher basing on the research findings.

5.1 Chapter summaries

The main of this study was to investigate the impacts of non-implementation of audit recommendations to risk at NSSA.

Chapter one briefly outlined the background of the study which covered the problems being faced at NSSA as a result of non-implementation of audit recommendations that prompted the researcher to conduct the study. The problem statement, main research questions, sub-research questions, objectives underlying the research, justification and delimitation of the study were outlined. Limitations of the research like time constraints and how these were curbed to uphold the research quality were highlighted and it ended up by summarizing the same.

Chapter two gave an extensive review of the available theoretical and empirical literature to the problem being investigated. The reason why auditors were needed in an organizations, the extent to which audits help in reducing risks , the factors hindering the implementation of audit recommendations, effects of not implementing audit recommendations as well as the action

which need to be taken to ensure that management gives adequate attention to audit recommendations were addressed in this chapter.

Chapter three outlined the research methodology incorporated by the researcher. It focused on the research design where the researcher employed the descriptive research design since it was considered to be most suited for a case study. The sampling methods to used were highlight and the researcher incorporated non-probability sampling, particularly convenience sampling and judgmental sampling as they were considered to produce a sample most representative of the target population under study. Target population for the purposes of the study was looked at. The chapter outlined the sample size for the research, data sources utilized and the research instruments. The validity and reliability of the research findings together with the data presentation and analysis tools were articulated.

Chapter four focused on data presentation and analysis. The data analyzed was accumulated from the field research conducted at NSSA through interviews and questionnaires which focused on answering the sub-research questions and objectives. Accumulated data was presented using graphs and tables as well as pie charts. Data was then analyzed using descriptive statistics, that is, the mode and percentages. The study revealed the challenges being faced by NSSA as a result of non-implementation of audit recommendations.

5.2 Major findings

5.2.1 To determine if there is a need of auditors in an organization.

Both management and staff acknowledge the need of auditors to make an examination of the authority's financial statements. This is supported by Solitani (2007) who posits that the auditor is needed at any organization as an independent third party to establish the degree of correspondence between assertions made by management and user criteria.

5.2.2 To determine the extent to which audits help in reducing risks

Audits play a crucial role in the risk management policy through providing recommendations to reduce all business risk be it fraud, asset misappropriation or information risks. This is supported

by Kim et al who argues that audited firms are associated with a 38% decrease in risks relative to firms that do not choose to audit their financial statements.

5.2.3 :To establish the causes of non-implementation of audit recommendations.

5.2.3.1 The quality of the audit and its recommendations.

The quality of recommendations and the quality of the audit team affects the implementation of recommendations. This is supported by Mihiret and Yismaw (2013) who asserts that the audit quality, which is demonstrated by the audit's capability to provide useful audit findings and recommendations, is one of the most prominent factors on which affect the effective implementation of recommendations.

5.2.3.2 Communication of recommendation

If recommendations are not well communicated to management and those charged with corporate governance their effective implementation becomes complicated. This is supported by Walker 2010 who posits that No matter how well the audit team has planned and performed the audit or how significant the findings are, recommendations may fall into disuse unless they are well communicated to those responsible for implementing them.

5.2.3.3 Lack of management commitment and support

If management are not committed to implement recommendations and are not in a position to support with resources recommendations will not be given adequate attention. This is supported by Krishnan (2009) who posits that successful implementation of audit recommendations requires strong senior management oversight if management lacks commitment and is not supportive response to audit findings and recommendations is generally not adequate.

5.2.3.4 Corporate governance issues

If an entity is not observing good corporate governance principles and practices chances are high that recommendations may not be given adequate attention. This is supported by Julian and

Riger (2011) who states that entities need to observe good cooperate governance principles and practices for recommendations to be given enough attention.

5.2.4 Effects of non-implementation of audit recommendations

Excessive to implement audit recommendations exposes an entity to a wide range of risk factors which includes misappropriation of funds, recurrence of irregularities which include fraud and investment risks. This is supported by the ANAO (2008) which posits that benefits of an audit report are reduced, and risks remain, if recommendations are not implemented within the agreed timeframe.

5.2.5 Strategies needed to have audit recommendations implemented

5.2.5.1 Improving the quality of recommendations and of the audit team.

For recommendation to be implemented auditors should work out on their competence as well as the quality of their recommendations. This is supported by Alezeban and Gwilliam (2009) who argues that the greater the competence of staff within the audit team (in terms of educational qualifications, professional qualifications, work experience, and continuing professional development) and the quality of their recommendations the more effective implementation of the audit's recommendations by management.

5.2.5.2 Improving communication of recommendations

For recommendations to be implemented auditors need to improve their communication of recommendations to those charged with corporate governance and management. This is supported by Xiangdong (2009) who posits that sufficient information to enable those charged with governance and management to understand the context of the communication is relevant for recommendation to be implemented.

5.2.5.3 Enhancing top management's commitment and support in implementing recommendations.

Management need to be encouraged by the board of directors to be committed in implementation of recommendations for recommendations to be implemented. This is supported by Mihret and

Yismaw who argues that since management is accountable to the board of directors for designing and implementing the process of managing risk in the organization including audit recommendation, the board should make it a culture that all recommendations are adequately addressed.

5.2.5.4 Rigorous follow up by both internal and external auditors

Auditors should follow up on the successful implementation of their recommendations. This is supported by Lewis (2009) who posits that the auditor's job is not done until defects are corrected therefore auditors should come up with follow up procedures.

5.2.5.5 The board should observe sound corporate governance

For recommendations to be well implemented the board should observe sound corporate governance. This is supported by Julian and Riger (2011) who states that entities need to observe good cooperate governance principles and practices for recommendations to be implemented.

5.3 Conclusion

The purpose of the study was to investigate the impact of management's non-implementation of audit recommendations to risk. It was discovered that management is not giving adequate attention to audit recommendations, this however is increasing NSSA's fraud risk, information risk, investment risk and overall business risks. The factors hindering implementation and recommendations on how to get action on audit recommendations were highlighted. The reseach was successful as it managed to get the main causes of non implementation of audit recommendations and also to it come out with ways to have these recommendations implemented.

5.4 Recommendations

Based on the findings, the researcher makes the following recommendations in order to get recommendations implemented:

1. Top management need to be encouraged to be highly committed to implement audit recommendations.

As revealed by Mihret and Yismaw (2013) recommendations will fall into disuse if management are not committed to implement them, top managers of NSSA need to be encourage or even forced to commit themselves in the implementation of audit recommendations. Top management need to support the implementation of recommendations through provision of adequate resources needed to effectively implement audit recommendations.

2. There should be effective communication of recommendation

Recommendations need to be effectively communicated to management and those charged with governance for them to be effectively implemented. The auditors should hold exit conferences and discuss with them the findings, auditors should gain a reasonable satisfaction that the recommendations have well understood. This is supported by Xiangdong (2009) who posits that sufficient information to enable management and those charged with corporate governance to understand the context of the recommendation is needed for recommendations to be implemented.

3. The authority's board should observe good corporate governance principles and practices

For recommendations to be well implemented the board should observe good cooperate governance principles and practices. One member should not chair multiple committees and board members should be highly independent. This is supported by the King III principles which posit that for a member to chair multiple committees there is risk of overlapping power and influence across committees.

4. There should be rigorous follow by both the external and internal auditors

The auditors' job should not just end after the issuance of the auditor's report but should end after defects have been corrected and remain corrected. For recommendations to be implemented auditors need to come up with follow up procedures to ensure recommendations are well

implemented. This is supported by the United States General Accounting Office (2010) which posits that the solely acceptance of audit recommendation does not guarantee results but the proper implementation of recommendations does, therefore the auditor's continued attention is of paramount importance until results are properly achieved.

5.5 Suggestions for further research

In carrying out data collection the researcher came across contracts signed between NSSA and the audit team where the auditors were being contracted out to offer accounting services to NSSA. The author however felt that this affects auditor independence and ultimately implementation of recommendations and proposes a further researcher to be conducted on the impacts of offering non-audit services to auditor independence and ultimately implementation of recommendations.

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APPENDIX A: authority to carryout research

Midlands State University

P.Bag 9055

Gweru

The Regional Manager

National social security authority

152/54 compensation house

Gweru

Dear Sir

RE: RESEARCH ASSISTANCE

I am a fourth year student at Midlands State University studying towards a Bachelor of Commerce Accounting Honors Degree. I am seeking approval to carry out my research at your organization on the topic: **An investigation into the impacts of management's non implementation of audit recommendations to risk: A case of National Social Security Authority.**

Be guaranteed that all the information will be treated with confidentiality as the research is strictly for academic purposes only.

Your assistance in this matter will be greatly appreciated

Yours faithfully

Vonai Shumba

R113849N

APPENDIX B: QUESTIONNAIRE

My name is Vonai Shumba a student from Midlands State University; I am conducting research in partial fulfillment of the Bachelor of Commerce Accounting Honours Degree of Midlands State University. The

research is an investigation into the impacts of management's non-implementation of audit recommendations to risk a case of NSSA.

Your co-operation in completing this questionnaire is greatly appreciated. Promise is given on the confidentiality of all the information provided.

Instructions:

Please tick in the appropriate boxes or write in the space provided

Your identification particulars is not necessary

Section A

Please kindly fill in the gap(s) and tick in the circles where appropriate

1. Position held within the organization-----

2. How many years have you saved NSSA?

0-5 years

6-10 years

10-15 years

Above 15 years

Section B

Tick where appropriate

3. NSSA is audited by both external and internal audit at least once every year

Strongly Agree Agree neither agree or disagree Disagree Strongly Disagree

4. An auditor is a watchdog not a bloodhound

Strongly Agree Agree neither agree or disagree Disagree Strongly Disagree

5. There is a need to audit the authority's financial statements

Strongly Agree Agree neither agree or disagree Disagree Strongly Disagree

6. Management is responsible for managing risks as well as implementation of audit recommendations

Strongly Agree Agree neither agree or disagree Disagree Strongly Disagree

7. Auditors play an important role in helping the risk management department to achieve its goals

Strongly Agree Agree neither agree or disagree Disagree Strongly Disagree

8. Audit recommendations are being given adequate attention

Strongly Agree Agree neither agree or disagree Disagree Strongly Disagree

9. Audit recommendations are well communicated.

Strongly Agree Agree neither agree or disagree Disagree Strongly Disagree

10. Top management do not support implementation of recommendations

Strongly Agree Agree neither agree or disagree Disagree Strongly Disagree

11. Is the audit and risk committee at NSSA highly independent ?

Strongly Agree Agree neither agree or disagree Disagree Strongly Disagree

12. NSSA board does not observe good corporate governance principles and practices

Strongly Agree Agree neither agree or disagree Disagree Strongly Disagree

13. Prevention or detection of fraud and protection of assets within the organisation becomes complicated when audit recommendations are not being implemented

Strongly Agree Agree neither agree or disagree Disagree Strongly Disagree

14. Overlooking audit recommendations increases business risk significantly

Strongly Agree Agree neither agree or disagree Disagree Strongly Disagree

15. There should be a rigorous follow up and monitoring from both internal and external auditors to ensure effective implementation of recommendations

Strongly Agree Agree neither agree or disagree Disagree Strongly Disagree

16. For recommendation to be implemented management should be committed to implement them.

Strongly Agree Agree neither agree or disagree Disagree Strongly Disagree

17. Recommendations of poor quality are usually not given adequate attention as compared to high quality recommendations

Strongly Agree Agree neither agree or disagree Disagree Strongly Disagree

APPENDIX C: Interview Guide

1. Both internal and external auditors make recommendations pertaining the authority. Do you see the usefulness of the recommendations in the case that they are successfully implemented?
2. Who is responsible for risk management including the implementation of audit recommendations?
3. Do you think NSSA is giving adequate attention to all recommendations being made by auditors?
4. What are the impacts of non-implementation of audit recommendation?
5. What is the cause of non implementation of audit recommendations?
6. What can be done to get action on audit recommendations?