

MIDLANDS STATE UNIVERSITY



FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING

TOPIC:

**Investigating the causes of time budget overruns or delays during
internal audit assignments: A case of OK Zimbabwe Limited.**

By

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

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DEDICATION

This dissertation is dedicated to my mum and dad, Mr and Mrs Mashanda who contributed in helping me archive my goals through their support both financially and socially. If it had not been for them, I would have not made it. May God richly bless them. To our son Mukudzeyi Mhembere this is a pace we have set for you and I hope you will follow the same footsteps.

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MAY THE LORD BLESS YOU!!!

ABSTRACT

The purpose of the research was to investigate the causes of time budget overruns during internal audit assignments at OK Zimbabwe Limited. Findings from literature review and data collected from the company indicated that time budget overruns were as a result of circumstances from both the auditor and the client. The researcher used descriptive (qualitative) research methods in which census sampling method was used. A response rate of 87% percent was obtained and findings from questionnaires, interviews and secondary sources indicated that the auditor was more responsible for time budget overruns than the client which was in agreement with other scholars from literature review.

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CHAPTER 1

INTRODUCTION

1.1 Introduction

This chapter covered the research problem, background of the study, the statement of the problem, main research problem, research objectives, sub-research question, significance of the study, and assumptions of the study, delimitations, limitations, and the definition of terms.

1.2 Background of the study

Time budgets are important in auditing because they act as the principal control over the assignment and is the single most important concern of audit assignment. According to Khan (2014), time is the key factor on any audit. However when auditors exceed their budgeted time, they create time budget overruns or delays.

According to OK Zimbabwe Internal Audit Time Analysis Sheets (2010), standard time budgets are allocated to clients when doing assignments depending on the sizes of the clients. Time budgets are allocated in the following manner, small clients: 250hrs, medium: 300hrs and big: 400hours. As stipulated in the OK Zimbabwe Internal Audit Policy (2007), every branch or client must be audited at least twice every financial year. However only 48% (22/45) clients were audited according to the requirements of the policy during 2013-2014 financial period. According to the Audit Service Manager, Sigobohla (2013), failure to meet departmental targets was as a result of time budget overruns on assignments.

In the Melton Borough Internal Audit Update (2014), time budget overruns occurred as a result of overruns on audit clerk's individual assignments. Delays were as result of situations that emanated from both parties i.e. auditor and the client and were as a result of one or more circumstances. An example of a situation that resulted in budget overruns is lack of

cooperation from the client during the audit of OK Human Resources department in February 2014. The audit stay extended by 200 hours more than the budgeted time because client staff were not cooperating in providing on time documents needed by auditors. Time extensions are not acceptable in auditing since the auditors need to move on to the next audit. The **table 1.1** below shows a summary of budgeted time versus actual time taken for five examined assignments.

Client name	Year	Time budgets	Actual hours	Var	Audit costs: Budgets (usd)	Actual audit costs (usd)	Var (usd)	Audit fees: Budgets (usd)	Actual audit fees	Var
Ok Lobengula	2013	300	375	75	9100	11200	2100	6000	7250	1250
Ok Mutare	2013	400	350	50	7280	8400	1120	6000	6920	920
Ok Mart Bulawayo	2013	400	485	85	10000	14000	4000	8000	9280	1280
Ok Transport And Distribution	2013	400	500	100	-	-	-	8000	10000	2000
Ok First Street	2013	300	400	100	-	-	-	7000	8050	1050
Ok Human Resources	2014	300	500	200	-	-	-	6000	8000	2000

Table 1.1: Budgeted vs actual (time and cost): OK Zimbabwe Internal Audit time analysis sheets (2013)

Table 1.1 above shown actual time and costs incurred vs the budgets. The last two columns also show the incremental audit fees that the company would incur if it was an external audit. The percentage of time budget overruns out of the budgeted time ranged from 25-66.67% giving an average time budget overrun of 45.83%. The company also experienced an average audit cost overrun of 24.3%. According to OK Zimbabwe Internal audit policy (2010), an acceptable level of time budget and costs overrun is 10% and below. However the study will also seek an acceptable level of overruns of 10% and below.

1.3 Statement of the Problem

Auditors failed to finish their assignments within the allocated time budgets resulting in time budget overruns or delays .Time budget overrun were as a result of circumstances from both the client and the auditor. On average the department experienced time budget overruns of 45.83% which is above the acceptable level of 10%. The objective of the research is to investigate possible causes of time budget overruns when doing audit assignments.

1.4 Main Research Question

What are the causes of time budget overruns or delays when carrying out internal audit assignments?

1.5 Research questions

- What is the importance of time budgets and their contributions to the auditing field?
- What are the possible causes of time budget overruns in auditing?
- What other factors can be taken into consideration when allocating time budgets?
- What are the effects of time budget overruns to both the auditor and the client?
- What measures can be taken by both clients and auditors to reduce the problem of budget overruns?

1.6 Research objectives

The objectives of the research are the following:

- To evaluate the importance of time budgets when carrying out audit assignments.
- To investigate the possible causes of time budget overruns in auditing
- To analyse various other factors which can be considered when allocating time budgets to clients.
- To investigate the effects of time budget overruns to both the auditor and the client.

- To find ways and make recommendations on how budget overruns can be overcome.

1.7 Significance of the study to:

- **OK Zimbabwe Limited:** The aim of the research is to investigate causes of time budget overruns in carrying out audits. The company will benefit from the recommendations provided and they will become possible solutions.
- **Midlands State University:** The research becomes an important academic source for other students who intend to do the same area of study in their researches. The research also partially fulfil the requirements of the degree programme.
- **To the student:** The student is equipped with the relevant skills and knowledge which they will be able to apply in the industry.

1.8 Delimitations of the study

- The research will cover period from February 2013 to February 2014.
- The research will cover areas of auditing, focus people will include four Senior Internal Auditors, four Junior Internal Auditors and fifteen audit clerks.
- Geographical location will be limited to OK Head Office.

1.9 Assumptions to the study

The following assumptions were made throughout the research process

- Standard time budgets allocated to clients will remain constant throughout the study.
- The prices for audit costs will remain constant throughout the research for example hotel costs.
- The number of staff members or the size of the department will remain constant throughout the study.

1.10 Limitations of the study

- **Confidentiality**-some of the information needed to carry out the research was private and confidential that the company could not disclose, however the researcher sought other information.
- **Limited Financial Resources**-communicating with the supervisors, printing of the dissertation, and travelling to collect information from the company required some money but the researcher communicated through e-mail most of the time.
- **Response rate**-from respondents may not be hundred percent, the researcher increased her sample size.

1.11 Definition of terms and abbreviations

Audit Programme-An instruction to the auditor comprising directions on how test of controls or substantive procedures will be carried out.

Budget Overruns- It is a situation that arises due to failure to meet set budgets.

Client -The company being audited and in this case refers to OK Zimbabwe Limited branches or units.

Internal Audit- an independent and objective process of analysing and evaluating the operating effectiveness of a company's internal controls and policies and advice management how to improve them so as to minimise risk.

Time budgets- A systematic plan with a summary of intended time to be spent on an assignment.

Time Analysis-A report compiled after an assignment showing a reconciliation of the budgeted time against actual time.

Transport and Distribution- a department at OK Zimbabwe responsible for the administration of company vehicles, spare parts and fuel.

1.12 Chapter Summary

This chapter explained the background to the research problem, research questions, and objectives of the research. It also explained the significance of the study.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

This chapter focused on the definition and importance of time budgets in audit. The chapter also explained the possible causes of time budgets at OK Zimbabwe and reviewed the work of other scholars. Factors considered in allocating time budgets were reviewed as well as the effects of time budget overruns on the client and the auditor.

2.2 Evaluating the importance of time budgets in the audit field.

According to OK Zimbabwe Internal audit policy (2010), an audit time budget is a categorical list that indicate time allocated to each aspect of the audit and the specific tasks to be performed by different staff levels. In contrary, time budgets gives a summary of time expected to be spent on an assignment. Time budgets are important in auditing for the following reasons.

2.2.1 Guideline for completion of tasks

According to Bowrin and King (2010), time budgets are important because they provide guidelines to both audit clerks and audit seniors on when they are supposed to finish audit programmes. This means that the auditor cannot spend as much time as they need on a client, but instead they are governed by those time budgets. According to Khan (2013), the auditor will have to do as much work as he can and move on to the next audit. Setting time limits is the responsibility of the audit management. Auditors must not become too involved with the client by asking for more and more time as this may result in audit saturation as a result of spending too much time on only one area of risk. According to Pickett (2010), time is a very important factor and it must be monitored by audit management thereby requiring set budgets to be prepared for audit assignments.

2.2.2 Allocation and controlling of costs

According to Bowrin and King (2010), time budgets are important because they establish a basis for allocation and controlling costs. By establishing an estimate of time an assignment is expected to take, this means that an estimate of costs necessary to finish that assignment can also be computed for example hotel costs and transport allowances. According to Sweetney, Anold and Pierce (2010), in the case of an external audit, time budgets provide a basis for computing audit fees. Costs can be controlled through proper management of time.

2.2.3 Planning

Time budgets act as a very important tool in the planning of audit. According ISA 300: Audit Planning (2010), auditors should plan for an audit so that the audit will be performed in an effective manner. According to Jackson and Stent (2010), setting time budgets helps the audit management in the planning process for example, determination of the nature and extend of audit procedures. According to Planning the Audit Engagement (2014), audit time budgets establishes an estimate of the audit procedures needed to satisfy the audit objective.

2.2.4 Performance measurement

Audit Time budgets are also important because they act as a performance measurement and control mechanism. According to Geogiades (2009:68), "time budgets are important because they provide a basis for monitoring the progress of the audit". According to Khan (2013), any issues that arise during the audit that are likely to cause time budgets overrun must be brought to the attention of the senior auditor so that the issues can be resolved whilst there is still time. According to Kustinah (2013), timeliness of the auditor's completion of tasks is one the criteria for measuring the performance of the auditor. According to OK Zimbabwe Internal Audit Policy (2007), audit time budget are used as a tool for measuring performance.

After the completion of each assignments, auditors are expected to complete performance appraisal forms whereby their performance is rated against standards.

2.2.5 Time budgets vs. audit quality

According to Hyatt and Taylor (2013), although time budgets are important in auditing, they are not the auditor's priority. The aim of the audit is to produce quality audit results. According to Feamly (2011), audit quality is when an auditor discovers irregularities in the client's accounting system, transactions or financial statements and then collect sufficient and appropriate data on which the conclusions are based. The results of the internal audit are very important and crucial, to both the auditor and management, Smith etal (2010).According to Kustinah (2013), auditors experience time budget pressure as a way of trying to meet time budgets. Time budget pressure is a situation that arises due to limitation of resources (time) to perform tasks and this might have a negative influence on the quality of the audit results, Suhayati (2012). The pressure of time budgets affect the auditor's performance in decision making and implementation of audit procedures. According to Ettrage etal (2010), audit clerks are tempted to behave dysfunctionally under time budgets pressure there by affecting the quality of audit results. According to Sweetney, Anold and Pierce (2010) examples of dysfunctional behaviour as a result of time budget pressure include: accepting weak client explanation, rejecting awkward looking items from a sample, premature sign off from an audit step.

Time budgets are important in auditing because they ensure that no time is wasted and are used as a control mechanism for both audit clerks behaviour and costs. However it is also important that management set time limits that are realistic and achievable otherwise the quality of audit results may be compromised.

2.3 Possible causes of time budget overruns in auditing

Time budget overruns were as a result of circumstances that emanated from both the auditor and the client. The following were causes of time budget overrun as a result of circumstances from the auditor.

Time budgets as a result of circumstances from the auditor:

2.3.1 Poor Planning

Planning is a very important aspect in the audit process because the successfulness of an audit lies in audit planning. According to Chambers (2012), improper planning of the audit will salvage the audit. According to Jackson and Stent (2010), the planning stage involves a number of distinct sub stages. One example of a planning process is assessment of risk in a client and determining the level of materiality. After determining the level of risk in a client the auditor determines the materiality level. According to Karen (2014) the higher the risk in a client, the lower the materiality and the more work to be covered.

According Houston cited in Knechel (2013) a balance between cost control and audit effectiveness is a sign of proper planning. However when an audit is not properly planned, this means that auditors have not collected enough knowledge about the organisation needed for them to allocate time and this would result in time budgets overruns. At OK Zimbabwe, auditors faced the problem of planning for the next audit whilst they were still rounding up the previous audit. This did not give them enough time to properly plan their audit resulting in time budget overruns. According to ISA 300: Planning the audit (2010), auditors are expected to plan their audits so that assignments can be conducted efficiently.

2.3.2 Audit Scope too wide

The audit opinion gives a persuasive rather conclusive audit evidence because of the way the evidence is collected: that is transactions are not tested 100% and the need to carry out the audit at reasonable costs, Wittington (2014). However a clearly defined audit scope must be set. According to Jackson and Stent (2010), an audit scope defines the nature, extend and direction of the audit. When the audit scope is too wide, resources may not be enough to address issues on time. According to Chamber (2012), when the audit scope has been set too wide or too open-ended, the number of transactions to be tested increase therefore resulting in the audit taking too long or that the auditors will miss important issues that were included in the scope. According to HM Treasury (2010), as difficult as it is to stay on schedule when the scope is well defined, there is no point in setting unrealistic audit scopes. Failure to limit the scope results in unsuccessful audits and time budget overruns.

2.3.3 Resignation by key audit staff at short notice

According to HM Treasury (2010), when key audit staff become unavailable at short notice, this can delay the completion of an audit and cause time budget overruns. The researcher was part of an audit at OK Zimbabwe whereby the Junior Internal Auditor gave a short notice resignation just after the commencement of an audit. This affected the timeliness of the audit because audit clerks no longer had an immediate supervisor who was responsible for supervision and monitoring the progress of the audit. According IAASB (2014) audit engagement partners and experienced members of the engagement must be available throughout the audit for timely completion of audits.

2.3.4 Lack of experienced professional and adequate number of audit staff

The size of each team and the experience of audit clerks determines the timely completion of the audit. According to Rittenburg (2011), auditors should ensure that the person assigned to

do work have the necessary experience and are also being monitored regularly. Most internal auditors fail to complete their tasks on time because of hiring less experienced and non-professionalism staff, Albertcht (2010).As stipulated in the audit report of OK Transport and Distribution (2013), two new audit clerks were brought into the team and the Junior Internal Auditor (immediate supervisor) was responsible for training them whilst at the same time he had to do his work. The audit was delayed because of lack of experienced staff, the training process and monitoring of progress. According to Audit Performance (2014), a successful audit assignment largely depends on the professionalism of the people assigned to do the tasks.

2.3.5 Failure to involve the client throughout the audit

According to Vincins (2014), it is very important that auditors should update client management of their findings throughout the audit and each stage by stage. The auditor is expected to bring to attention any audit issues arising during the course of the audit to client management, ISA 260(2010).According to Chambers (2012), failing to involve your client on time can be an audit killer. A practical example occurred during the audit of OK Belgravia in 2013.In the auditors final update meeting with client management, just before the issuing of a draft audit report, auditors brought out new issues of missing stock. Management also wanted to verify the anomaly and an emergence stocktake had to be done thereby delaying the completion of the audit. According to Vincins (2014) communication with client management of key issues during the audit can help reduce audit risks to acceptable level and it saves time.Timely updating of findings arising from the audit that are material helps both parties to fulfil their responsibilities efficiently, CICA (2012). If auditors had informed management of missing stock on time, management would have acted on the issue on time during the audit.

Time budget overrun as a result of circumstances from the client:

2.3.6 Weak client internal controls

According to Puncel (2012), weak internal controls in a client means that the auditor will require more time to do risk assessments so as to obtain better knowledge of the entity's internal controls and determine the appropriate level of materiality. This will affect the completion of the audit. According to Rittenburg et al (2009) if the internal controls in a client are weak, the auditor may need to carry out more substantive procedures thereby resulting in time budget overruns.

2.3.7 Failing to assist the team with functional expertise

According to ISA 620: Use of audit experts (2010), the auditor's qualifications and experience enables them to have knowledge about business in general, therefore auditors are not expected to have knowledge about other areas of profession for example engineering. According to Philips and Wolf (2010), when auditors perform their tasks without the assistance of experts they may end up taking too much time on an assignment. The problem with experienced and confident auditors is that they overestimate their ability and think they can do it alone, Chambers (2012). Audit teams must be established in such a way that they have they have the necessary expert help for timely completion of tasks, CANSO (2011). For example at OK Zimbabwe ,they do not have the expertise in law concerning claims, litigations, reading minutes of directors meetings and therefore they faced problems when doing audits of OK Human Resources. According to Weil (2012), the use of audit experts will help auditors to reduce nature, timing and extend of audit procedures.

2.3.8 Lack of cooperation from the client

According to Chambers (2012), auditors cannot progress when their findings are not acted upon on time and when there is lack of senior management support and buy in .Most people

in organisations are still ignorant about the purpose of auditors. The purpose of internal auditors according to HM Treasury (2010) is to evaluate the operating effectiveness of internal controls and policies and give recommendations to management on how to improve them so as to minimise risk. However most client staff are not comfortable with auditors and having their work being checked. According to Dianne (2012), auditors experience a lot challenges in obtaining the necessary information they need thereby affecting the quality and timing of the audit. According to Khan (2013), lack of cooperation from the client makes it more difficult to resolve enforcement matters. However, according to Delaney and Wittington. (2013), delays by clients to provide documents or data is not an acceptable excuse not to perform that audit procedure. The only thing that an auditor can do is to delay that audit programme until they have the necessary information.

Time budget overruns in auditing are as a result of circumstances from both the auditor and the client. However the auditors should always try to manage circumstances from their side that result in time budget overrun and consider various other factors when allocating time budgets to clients.

2.4 Factors to consider when allocating time budgets to clients

According to Ramos (2009), auditors should take into consideration various other factors when allocating time budgets to clients which includes volume of transactions, key audit areas, previous audit files and preliminary assessment of risk. This is done because clients operations vary from one to the other and allocating time budgets basing only on one factor for e.g. size of the client could result in impaired judgement.

2.4.1 Previous Audit File (time budgets and findings)

According to Collings (2012) reference to previous audit file is very important because it gives auditors an insight and contains necessary information that auditors need to plan for

that next audit. According to ISA 230: Audit documentation (2010), previous audit files will create a connection even to an experienced auditor who had nothing to do with that audit. According to Codere (2009), the ability to use previous audit file will significantly reduce planning time and they can be used as a benchmark to budget for the next audit. According to Karen (2013), there is a possibility that audit issues that arose from the previous audit could occur in the current audit period, for example at OK Zimbabwe, material misstatements occurred in the valuation of inventory during the audit OK First Street. The next audit had to perform more substantive procedures on that area to assess whether that anomaly was followed up and corrected. According to Pickett (2010), allocating time budgets basing on previous audit files will reduce the probability of time budget overruns. According to Moeller (2010), previous audit files can assist auditors to complete their assignments on time because they provide feedback of the last audit. Rather than capturing all the information needed every time an audit step is done, data can be collected from previous audit files thereby saving time.

2.4.2 Preliminary assessment of inherent and control risk and audit materiality

According to Florea (2012), knowing the risk factors in client will help the auditor to identify areas of attention and how much time they need. According to Karen (2013), inherent risk in a client is the susceptibility of an assertion about a class of transaction, account balance or a disclosure to a misstatement that can be material . Control risk occurs when the internal controls in a client fails to prevent, detect or correct a material misstatement that occurred on a timely basis, Jackson and Stent (2010). According to Lambet (2011), risk assessment affects audit procedures and auditors should try to eliminate audit steps in low risk areas and focus on high risk areas. Auditors need to have a clear understanding of the risk factors in a client in order for them determine the level of materiality. According to University of South Africa (2010), an item is classified as material when its omission or misstatement affects the

economic decisions of users taken on the basis of financial statements. After assessment of risk, auditors will be able to determine the level of materiality. According to Knechel (2013), consistent time budget overruns is an indication that audit seniors are less responsive to risk. The higher the risk the lower the materiality level, the more work to be covered and the more time needed and vice versa. Therefore it can be concluded that time budgets are designed to ensure that audit risks are reduced to an acceptable level.

2.4.3 Key Audit areas

According to Delloite (2011), it is of great importance that during the planning process auditors take note of key audit areas. According to Alison and Wolf (2010), key audit areas are those sections that require special attention maybe because of high risks associated with them for example cash office, fixed assets and documents processing. According to Ramos (2009), if auditors are able to identify key areas, time is allocated to those sections first and even during the audit, those are the areas which will be given first priority. The more key areas noted, the more time needed to address those areas.

2.4.4 Volume of transactions in a client

Auditors should consider the volumes of transactions in a client when allocating time budgets. According to Dennis (2010), client who experience more transactions occurring is likely to take more time to audit. The physical building of a client can be large but does not necessary mean that they tally with the level of transactions. According to Sharma and Kumar (2011), auditors should consider Sales Analysis books, Purchases day book, Creditors reconciliations of a client to determine the level of transactions in a client so they will have an estimate of time they may need to audit that client.

It is very important that auditors should take into account other factors when allocating time budgets to clients. Unlike OK Zimbabwe Limited which only considers the size of the client,

taking into account other factors like risk, key audit areas will help auditors to produce quality and timeous audits.

2.5 Effects of time budget overruns in auditing

To the Auditor:

2.5.1 Audit Quality is compromised

According to Hyatt and Taylor (2013), time budgets overruns affect the nature of the results (quality) of the audit. The quality is compromised in the sense that during the period of overrun, auditors will be trying to cover all the remaining work as much as possible within the extended hours. According to Bowrin and King (2010), time budget overruns increase job related stress, and behaviours that reduce the quality of audit results there by increasing the probability of audit failure. According to Stevens (2010), time budget overruns are as result of unrealistic and unnecessary audit deadlines and they cause substandard audits. Substandard audit results means that management cannot rely on their work for decision making and implementation of policies, Zakaria (2013).

2.5.2 Failure to meet departmental targets

Internal auditors usually do their work with targets. For example, according to OK Zimbabwe Internal Audit Policy (2010), every client in the company must be audited at least twice every financial period. However, when the department continuously experience time budget overruns on assignments, by the end of the financial period those overruns would have accumulated to the extent that departmental targets would be missed. According to the Audit Service Manager, Sigobohla (2013), only 48% of the clients were audited as required by policy during 2013-14 financial period. Failure to meet departmental targets was as a result of time budget overruns on assignments.

To the client:

2.5.3 Timeliness of reporting

According to Ahmad and Abidin (2010), one of the serious consequences of delaying the completion of audits is untimeliness of reporting. ISA610: Considering the work of Internal auditing (2010), allows external auditors to depend on internal audit work as direct assistance if the internal audit is sufficiently competent and objective. OK Zimbabwe External Auditors also depend on the company's internal audit work during the audit of company financial statements. According to Ahmed and Hossain (2010), if auditors take too much time to produce audit results, the usefulness of information reported would decline. According to Hegazy and Ghanem (2011), when internal auditors experience time budget overruns, it delays the completion of external audit as a result delaying the publication of audited financial statements. According to the IAASB (2010), timeliness is one of the qualitative factors of financial statements. Financial statements should be there in time to inform the decisions of users otherwise they will not serve their purpose.

2.5.4 Loss of time and business

According to Khan (2013) the presence of auditors affect the client's business. Because time is money, extending the audit stay means that the client is likely to be affected. According to Chambers (2012), during the presence of the audit, sometimes client staff have to forego their work in order to provide auditors with the necessary data they need. Time budget overruns means that client staff will spend more time attending to auditors thereby affecting their work. According to OK Transport and Distribution Internal Audit Report (2014), during the audit, client staff would have to forego or balance their normal work and address issues required by auditors and as result affecting client's business. According to Karen (2013), loss

of time could result in untimely processing of transactions or loss of potential sales from customers. Budget overruns results in opportunity costs to the client.

2.5.5 Costs Overruns

According to Vallabhaneni (2013), when auditors fail to meet time targets originally set by audit management, both the client and auditor will be negatively affected. Time budgets overruns result in costs overruns to both the auditor and the client. According to Delloite (2014) during planning, auditors allocate audit costs they expect to incur basing on time budgets. External auditors also charge their audit fees basing on time budgets, and an extension of time means unanticipated incremental costs to the client .According to Alinaitwe et al (2013), when original audit costs or time are exceeded, the client may end up unsatisfied. Delays and cost overruns have a negative effect to both clients and auditors. Buchheit et al cited in Reckers (2010) explained that the use of time budgets to determine audit fees will result in cost overruns to the client if those time targets are not met thereby leading to client dissatisfaction .According to Fontaine and Pilot (2012), the client may end up incurring more audit fees than what was originally anticipated resulting in client dissatisfaction and loss of clients.

2.5.6 Audit issues become outdated before they are acted upon

According to HM Treasury (2010), when auditors spend too much time on an assignment, as a result of failure to progress, there is a risk that issues they would have come across during the audit become outdated before they are acted upon. The purpose of the audit is to produce a report issues to the client on time so that those issues can be addressed on time. According to Hegazy and Ghanem (2012), delaying the completion of an assignment will affect the usefulness of an audit report. When audits take too long to finish, they may fail to fulfil their impact thereby issues becoming obsolete, Gutbrod and Wiele (2010).According to Vladimirov (2010), when auditors delay, audits issues become irrelevant before the end.

The effects of time budget overruns affect both the auditors and client. However auditors and clients should work together to reduce the consequences since they have negative implications to both parties.

2.6 How to reduce the problem of time budget overruns

Time budget overruns in auditing is a problem that cannot be completely eliminated since it is a result of circumstances from both parties. However the problem can only be controlled, and audit management should be continuously try to manage budget overruns.

2.6.1 Revision of time budgets

According to Pickett (2010), Standard Time budgets should be continuously revised so that they match to current conditions of the clients. There is no point in continue using outdated time budgets because they will obviously result in time budget overruns. Results from the planning process i.e. client investigation or assessment of risk should assist auditors in setting time budgets for their audits. According to Vallabhaneni (2010), as a means of controlling projects and avoiding time budget overruns, decisions to revise time budgets for an audit should be done immediately after pre engagement activities. Continuous revision of time budgets is important because time budgets are adjusted to current conditions prevailing in clients.

2.6.2 Communication, management and training of client.

Auditors can better perform their duties when they are provided with necessary information and data they require. However when the documents needed are not in order, it is not the responsibility of the auditor to assist the client in updating their books or records, Dennis (2010).Auditors should communicate their expectations to the client so that they can perform their duties. The length of the audit is most likely to be reduced and the client will also realise the benefits of the audit.

According to Delaney and Wittington (2013) proper training must be done to auditee staff and there must be a separation between assistance and auditing. Auditors have a problem that when they realise that clients documents are not properly reconciled or accounts are not properly done, they end up assisting the clients in the work they were supposed to do. According to Adrian and Downs (2012), communication and training of individuals within the organisation will help auditors to perform their work efficiently.

According to Hoffman cited in Dennis (2010), the audit committee should meet with client management and encourage them to train staff on the importance of auditing to client staff and encourage them to cooperate in audit engagements. Auditors should provide lists of things they need from the client to fully discharge their duties before the audit with examples and due dates so that the client will work on it, Pickett (2010) .According to Kill (2012), preparing necessary documents before the audit will prevent bottlenecks which are frustrating to the auditor. According to Vincins (2014), the benefits of the audit should be communicated to ignorant auditee staff through trainings and verbal speech and whenever there are difficult situations with audit staff, the audit should stop until issues have been resolved.

On the other side, auditors should not develop unrealistic expectations from the client and when the client is not ready for an audit, auditors should reschedule.

2.6.3 Internal Recruitment

Internal recruitment is a process of obtaining staff personnel from inside the organisation. According to Lambet cited in Dennis (2011) internal recruitment is important for internal audit because they have better knowledge of the organisation with enables audit staff to better apply their skills and knowledge and to value the time they spend on each assignment. According to Plaatjies (2013), internal auditors recruited internally have better knowledge of the organisation and they will be able to provide better findings and recommendations.

Members of the internal audit function will be familiar with various functions and key risks of the organisation, Winter (2012). According to OK Zimbabwe Policy (2002), internal audit staff should be recruited internally from OK branches, although the policy has not been practiced over the years.

Although internal recruitment is beneficial to the organisation, audit staff may become too familiar with the client thereby resulting in self review or familiarity threats NKONKI (2013). This contradicts with Auditors Code of Professional conduct.

2.6.4 Audit Procedures as a way of improving audit efficiency.

According to Rachchh et al (2010), audit procedures are steps taken by auditors in collecting audit evidence in which the audit opinion is based. Auditors are expected to discuss the constituency of his or her overall audit plan and other audit procedures to improve the efficiency of the audit. The auditor must also select audit procedures that best suit that client.

The two types of audit procedures are the substantive procedures and test of controls. According to Jackson and Stent (2010), tests of controls are done to evaluate the operating effectiveness of internal controls and policies and their ability to prevent and detect misstatements. Kearney et al (2013) suggested that proper selection of audit procedures will increase audit efficiency and ensure that the audit focus on areas of audit significance. Test of controls assist the auditor to determine the level of risk in a client which enables them to determine the time required on that assignment, OK Zimbabwe internal audit manual(2010) .

According to Rittenburg (2013), when the auditor performs test of controls and realises that they are operating effectively, less time will be needed in doing substantive procedures..

According to Knechel (2014), if the internal control system is weak, the auditor will spend more time doing risk assessment in order to collect sufficient and appropriate audit evidence.

According to Dauber etl tal (2010), substantive procedures are designed to detect any

material misstatements so as to gather the relevant audit evidence. According to Pickett(2010),when designing substantive procedures, the auditor should take into account the significance of risk ,the probability that material misstatements will occur and the characteristics of the class of transactions as well as the specific controls used by the entity ,either manually or automatic.

Analytical procedures occurs when the auditor compares and evaluates the relationships between financial and non-financial in order to gather audit evidence, Puncel (2012). According to ISA 520: Analytical Procedures ISA 520: analytical procedures is the process of analysing substantial ratios and trends as well as doing investigations on any fluctuations from the predictions. According to OK Zimbabwe Internal audit manual (2010)) analytical procedures provide efficient and effective audit evidence. When auditors obtain reasonable assurance from analytical procedures, the nature and extend of audit evidence required from other audit procedure will be reduced thereby saving time. For example, if the auditor realises that some material misstatements occurred between an amount of sales posted in the system and the sales journal (physical).The auditor will have to do more substantive procedures in order to collect enough audit evidence since there is an indication of weak internal control system.

2.7 Conclusion

Time budget overruns were as result of circumstances that emanated from both auditor and client. Times is a very important factor in auditing which must be monitored. It is the responsibility of both the auditors and the client to ensure that audit assignments are completed on time.

According to Puncel (2012), although time is very important factor in audit, time budgets are only a guideline and are not the objective of the audit. The objective of the audit according to

Collings (2011) is to ensure that general purpose financial statements are objective, free from error and manipulation and also that they are relevant to the needs of users. According to Jackson and Stent (2010), the objective of the audit is to express an opinion whether financial statements were fairly presented in accordance with Generally Accepted Accounting Practices. Auditors are also expected to fully discharge their duties and avoid rushing in order to meet time targets. According to Sharma and Kumar (2014), the auditors are required to perform their duties in an efficient and effective manner in order to gather appropriate audit evidence in which audit opinion will be based. Time budgets are only important because they give guidelines and are used as control tools.

2.8 Chapter Summary

This chapter highlighted the causes of time budget overruns in relation to other scholars as well as observations drawn from the study, factors considered in allocating time budgets. The chapter also highlighted the effects of time budget overruns to the auditor and the client. The next chapter focuses on research methodology and data collection methods.

CHAPTER 3

RESEARCH METHODOLOGY AND DESIGN

3.1 Introduction

The purpose of this chapter is to explain the research methods used by the researcher in collecting data and information. The topic covers the research design, target population, sample design, sources of data and data collection instruments. The chapter will also analyse validity and reliability of data collection instruments and methods of data analysis.

3.2 Research design

According to Creswell (2014) Creswell, the purpose of a research design is to collect sufficient and appropriate data or information with less resources (effort, time and money). The function of a research design is to ensure that the data collected enables the researcher and other users to answer the research question as far as possible. The researcher used the descriptive survey as a research design. According to Clause (2013), it is a research method whereby the researcher describes certain behavior or characters as it occurs on the environment .The design is important to the study because it answers both the ‘what is going on’ and ‘why is it going part of the study’, Rog cited in Descriptive Studies (2013). Descriptive surveys allows the researcher to collect information without changing the environment.

3.2.1 Case Study

There are other varieties of research methods under the descriptive research methods. The researcher will use the case study descriptive method. According to Woodside (2010), the purpose of a case study is to obtain a better and improved knowledge of behaviors and attitudes for example views, intentions and influences of participants. This method consists of

interviews or observations and there is no influence from the researcher. The research is also based on the researcher's past experience with OK Zimbabwe Limited.

3.2.2 Qualitative

Qualitative methods emphasize on objective measurement and numerical analysis of data collection through pools, questionnaires or surveys, Earl and Rubbin (2010). According to Snap Surveys (2010), qualitative methods will help the researcher to have understanding of reasons and motivations of certain behaviors. The researcher used a qualitative method so that she can have better insights of the problem and gaining ideas.

3.3 Population

According to Hayes (2011), a population is a well-defined collection of individuals or objects who share common goals and are of interest to the researcher. The population is the main focus of the study. In this study, the population was OK Zimbabwe Internal Audit Department.

3.4 Sampling Procedure

A sample is a subset of the population. According to Krishna (2010), sampling arises as a result of the failure to test the whole population because of limitations of resources e.g time. The purpose of the sample is that findings of the study will be used to deduce conclusions that will represent or apply to the whole population. The table below shows target population and the sample derived from it.

Table 3.1 Target population

OK Zimbabwe Internal audit staff	Total Population	Sample	Percentage %
Service Audit Manager	1	1	100
Senior Internal Auditors	4	4	100
Junior Internal Auditors	4	4	100
Audit Clerks	15	15	100
Total	24	24	100

The Researcher used census survey to undertake the research because the population was small. Khan (2011) defined census as a process of listing all the elements in a collection and measure one or more characteristics of those elements. According to Wiid and Diggines (2010), when the population is small, census surveys produce quality information which is accurate. Unlike other sampling methods, census survey does not suffer from sampling error.

3.5 Sources of data

The study collected information using primary and secondary sources.

3.5.1 Primary Sources

According to Kornegay and Jodi (2013), primary data is information gathered by the researcher or investigator directly from the sample participants to address a specific question. Data collected may be in the form of face to face interviews, telephone interviews, mail surveys, or computerized questionnaires. According to Lamb, Hair and Mc Daniel (2011), the most important thing about primary data is that it answers the most important research question that secondary data cannot. However primary data can be time consuming or

expensive, Collins (2010). The researcher collected data through questionnaires and personal interview.

3.5.2 Secondary sources of data

The researcher also used secondary sources of data which includes audit reports. Secondary sources of data is any information which has been slightly removed from its original source but retaining the original idea, Khan (2011).The researcher used secondary sources because they enhance reliability of information collected from primary sources.

3.6 Research Instruments

3.6.1 Questionnaires

A questionnaire is a research instrument that is designed with a series of questions for the purpose of collecting information. According to Mc Nabb (2011), closed ended questionnaires are designed in such a way that respondents choose from a list of possible answers and respondents use the same ideas, terms and alternative that the researcher uses. According to Reid (2009), closed ended structures give straight and precise answers and they are suitable for a descriptive survey. The researcher used questionnaires because the information collected can be analyzed objectively than other instruments. Closed ended questionnaires provide data which is consistent when recording and for data analysis.

3.6.2 Personal Interview

According to Personal Interviews (2014), when people communicate face to face, they exchange much more information than just words. It goes beyond verbal expression. The researcher also used personal interview so that she could have direct impact with the respondent and allows the researcher to read more than verbal responses of the respondent.

3.7 Reliability

It refers to degree to which findings by the researcher are consistent over time. The findings from the research are considered to be reliable if the research methodology is used more than once in collecting data and produces same results under the same conditions, Russell (2010). To ensure reliability, the researcher relied on academic supervisor's approval of the research tools and questionnaires guides before they were distributed. The researcher also relied on data or information collected from the workplace as well as information given by schoolmates.

3.8 Validity

Validity is the ability to identify and label something clearly. According to Connaway (2010), validity determines whether the research accurately measures what it was intended to measure or how truthful the research results are. To ensure validity, the researcher compared research objectives and literature gathered from chapter two with data collected.

3.9 Data analysis

Information gathered through interviews and questionnaires will be analyzed through the use of pie charts, graphs and tables and the results will be analyzed in the next chapter.

3.10 Chapter Summary

This chapter covered the research design and data collection methods. The next chapter focus on the presentation and analysis of data.

CHAPTER 4:

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

The purpose of this chapter is to give a presentation and detailed analysis of the results and findings collected. Questionnaires and interviews were used as primary data collection instruments whilst reports were used as secondary sources. Data gathered will be analysed through the use of tables, pie charts and graphs.

4.2 Response rate

According to Marsden and Wright (2010), response rate is the quantity of people who responded out of those were expected to respond. A response rate is the portion of actual respondents to the number of potential respondents, Peffermann and Rao (2009). The researcher managed to get desirable response rate of 87%. Dick etal (2013), suggested that a response rate more than 55% is desirable.

Cooper and Schinder (2012), suggested that a response rate is normally expressed as a proportion of the number of people who respond to a survey. He further on concluded that a response rate of 50% is rated as good, 60% better and 70% is more dependable. The researcher managed to get a response rate of 87%.She designed 24 questionnaires and 21 of them were returned .Three of the respondents did not reply back which are: Audit Service Manager and two audit clerks. The Table 4.1.0 below shows the detailed questionnaire response rate.

Respondents category	Questionnaire sent	Replies	Response rate (%)
Audit Service Manager	1	0	0
Senior Internal Auditor	4	4	100
Junior Internal Auditor	4	4	100
Audit Clerk	15	13	86
Total	24	21	87

Table 4.1: Questionnaire response rate

4.3 Data presentation and analysis

4.3.1 Questionnaires

Question 1: Time budgets are important in auditing for the following reasons.

i. Guideline for completion of tasks

Response	Strongly agree	Agree	Not sure	Disagree	Strongly disagree	Total
Number of Responses	18	3	0	0	0	21
Percentage	86%	14%	0%	0%	0%	100%

Table 4.2: Guideline for completion of tasks

According to Tab 4.2, 86% (18/21) strongly agreed and 14% (3/21) agreed that time budgets are important because they provide guideline for completion of tasks. It can be concluded that time budgets are important because they provide a basis for scheduling the audit. Respondents also mentioned that at OK Zimbabwe, time budgets will provide them with knowledge on when to start and finish an assignment. This also agreed to Bowrin and King

(2010), who suggested that time budgets are important in auditing because they provide guidelines on the completion of tasks.

ii. Allocation and controlling of costs

Response	Strongly agree	Agree	Not sure	Disagree	Strongly disagree	Total
Number of Responses	17	4	0	0	0	21
Percentage	81%	19%	0%	0%	0%	100%

Table 4.3: Allocation and controlling of costs

According to Tab 4.3, 81% (17/21) strongly agreed and 19% (4/21) agreed that time budgets are important for allocation and controlling costs. Respondents mentioned that audit costs at OK Zimbabwe for example hotel allowances are incurred for out of Harare assignments, and those costs have to be monitored. Respondents were in consistency with Sweeteney, Arnold and Pierce (2010), who mentioned that in the case of an external audit, time budgets provide a basis for computing audit fees. Costs can be controlled through proper management of time.

iii. Planning

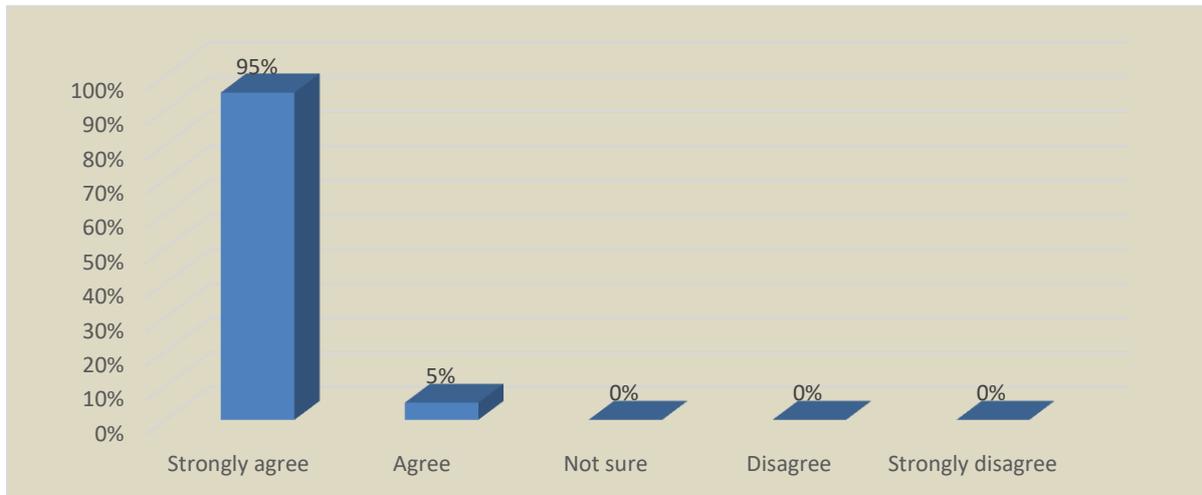


Fig 4.1: Planning

According to fig 4.4, 95% (20/21) strongly agreed and 5% (4/21) agreed that time budgets are important for the planning process. This is according to Jackson and Stent (2010), who suggested that time budgets are important for planning thereby enabling them to determine the nature timing and extend of audit procedures. Respondents mentioned that time budgets will assist them in planning for the next audit .The respondents agreed to Planning the Audit Engagement (2014) who suggested that audit time budgets establishes an estimate of the audit procedures needed to satisfy the audit objective.

iv. Performance measurement

Response	Strongly agree	Agree	Not sure	Disagree	Strongly disagree	Total
Number of responses	18	2	0	0	0	21
Percentage	86%	14%	0%	0%	0%	100

Table 4.4: Performance measurement

According to Table 4.5, 86% (18/21) strongly agreed and 14% (42/21) agreed that time budgets are important for performance measurement. The respondents explained that OK Zimbabwe Audit Manual (2010) stipulated that time budgets assist management in performance evaluation. They also agreed to Kustinah (2013), who suggested that the timeliness of the auditor’s completion of tasks is one the criteria for measuring the performance of the auditor. Therefore it can be concluded that time budgets are important for performance measurement.

Question 2. Time budgets results in time budgets pressure there by compromising audit quality.

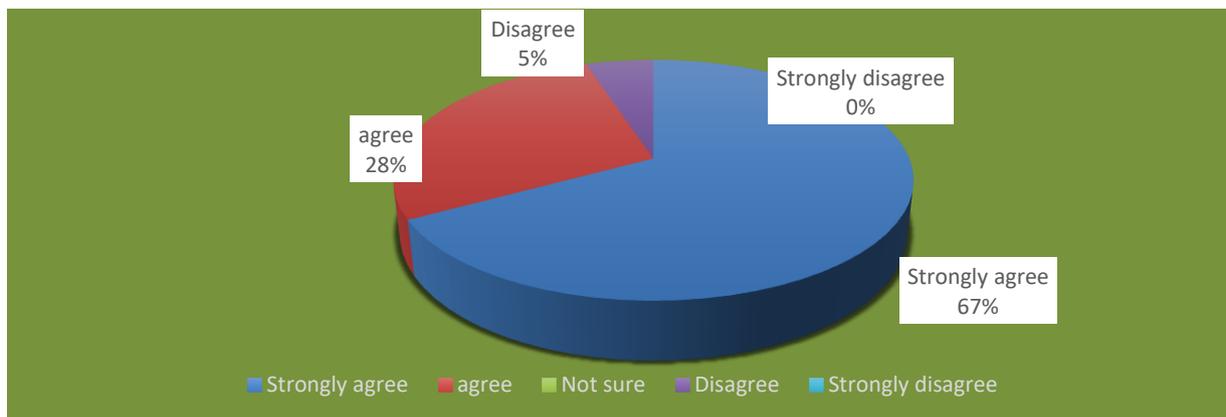


Fig 4.2: Time vs audit quality

According to fig 4.6, 67% (14/21) strongly agreed, 28% (6/21) agreed and 5 % (1/21) disagreed to the fact that time budgets results in time budget pressure thereby compromising audit quality. Audit clerks explained that management are responsible for allocating time budgets and they do not involve them in the time budget preparation yet they are the one responsible for collecting audit evidence. The respondents agreed that time budgets may compromise audit quality which was in consistent with Ettrage etal (2010), who suggested that audit clerks are more likely to be involved in dysfunctional behaviours in order to meet

time targets. Examples of dysfunctional behaviours include premature sign off or underreporting of time spent.

Question 3. Causes of time budget overruns as a result of the auditor.

i. Poor Planning

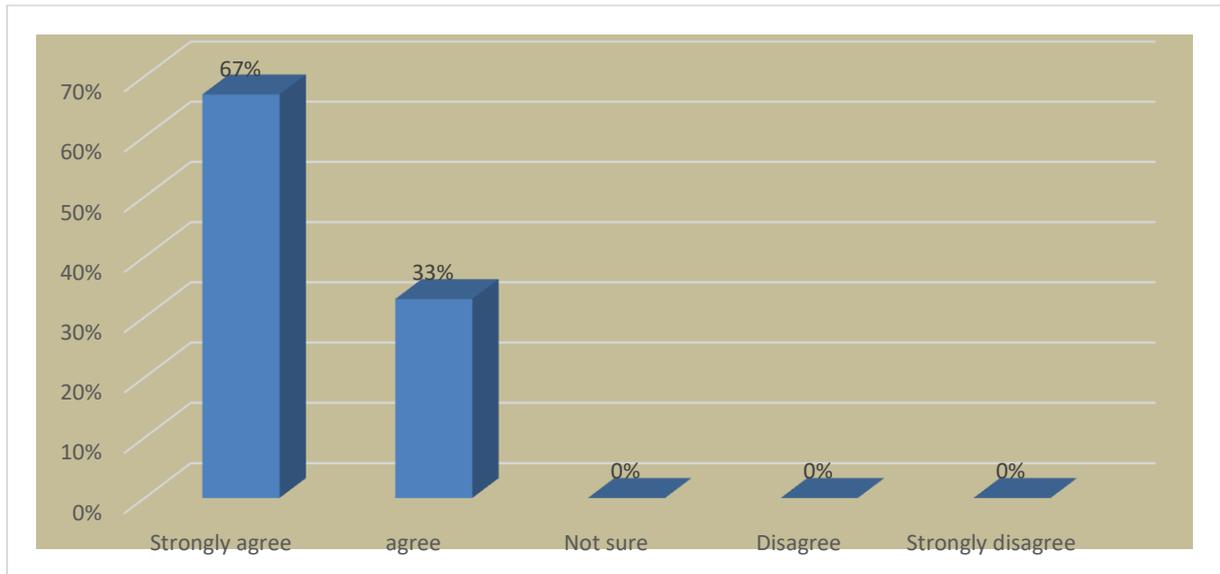


Fig 4.3: Poor planning

According to fig 4.7, 67% (14/21) strongly agreed and 33% (7/21) agreed that time budget overruns are as a result of poor planning from the auditor. Respondents mentioned that the major weakness with OK Zimbabwe audit management is that they plan for the audit at last minute and that means that risk factors in a client are not properly considered. Respondents agreed to Chambers (2012) who suggested that time budget overruns are as a result of improper planning by the auditor. Therefore it can be concluded that poor planning is one the major causes of time budget overruns.

ii. Audit scope too wide

Response	Strongly agree	agree	Not sure	Disagree	Strongly disagree	total
Number of responses	12	5	2	2	0	21
Percentages	57%	23%	10%	10%	0%	100%

Table 4.5: audit scope too wide

According to Tab 4.8, 57% (12/21) strongly agreed and 23% (5/21) agreed that time budget overruns are as a result of setting unrealistic or too wide audit scopes. Respondents mentioned some of the audit procedures may not be necessary or applicable to that client but management fail to update their audit programmes. The respondents also agreed to HM Treasury (2010), who suggested that wide audit scope will delay completion of audits.

iii. Resignation by key audit staff at short notice

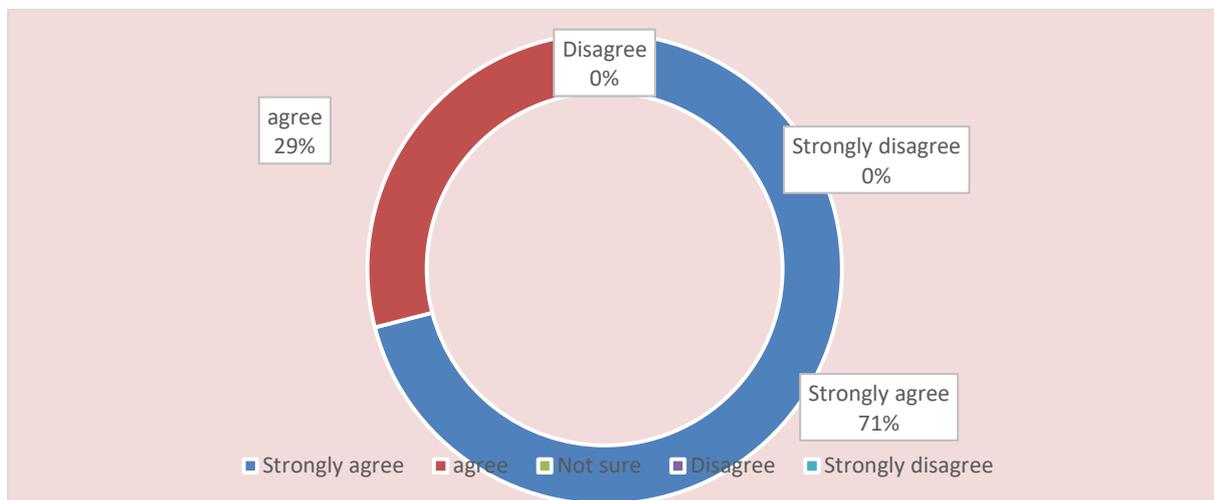


Fig 4.4: Resignation by key audit staff

According to fig 4.9, 71% (12/21) strongly agreed and 29% (6/21) agreed that time budget overruns are as a result of resignation by key audit staff at short notice. Respondents mentioned that OK Zimbabwe has recently been facing high labour turnover and they have

lost some of their key audit staff. The respondents agreed to 1AASB (2014) who suggested that key audit staff must be available throughout the audit for timely completion of tasks. Therefore it can be concluded that time budget overruns are as a result of resignation of key audit staff at short notice.

iv. Lack of experienced and adequate number of staff

Response **Strongly agree** **agree** **Not sure** **Disagree** **Strongly disagree** **total**

Number of responses	14	5	0	2	0	21
Percentages	67%	23%	0%	10%	0%	100%

Table 4.6: lack of experienced and adequate staff

According to Tab 4.10, 67% (14/21) strongly agreed and 23% (5/21) agreed that time budget overruns are as a result of lack of experienced and adequate staff numbers. The respondents mentioned that the department has been facing problems of recruiting less experienced audit staff. This agreed to Albertcht (2010), who suggested that failure to complete assignments on time is as a result of less experienced and non-professionalism staff. Therefore it can be concluded that time budget overruns were as a result of less experienced and adequate number of staff.

v. Failure to involve or updates client throughout the audit.

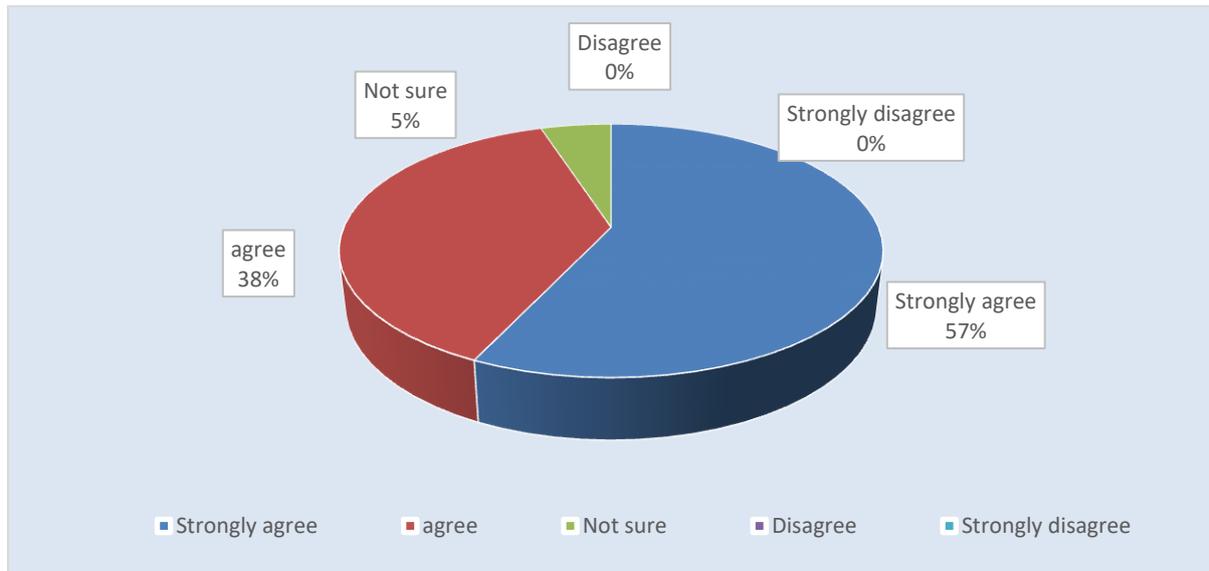


Fig 4.5: Failure to involve or update client

According to fig 4.11, 57% (12/21) strongly agreed and 38% (8/21) agreed that time budget overruns are as a result of failure to update audit issues to client management throughout the audit. Respondents mentioned that sometimes auditors start bringing out new issues at last minute of which client management would want to verify the issues first. The respondents agreed to Chambers (2012), who suggested that failure to involve client is an audit killer. Therefore it can be concluded that time budget overruns were as a result of failure to involve client throughout.

Question 4: Causes of time budget overruns as a result of circumstances from the client:

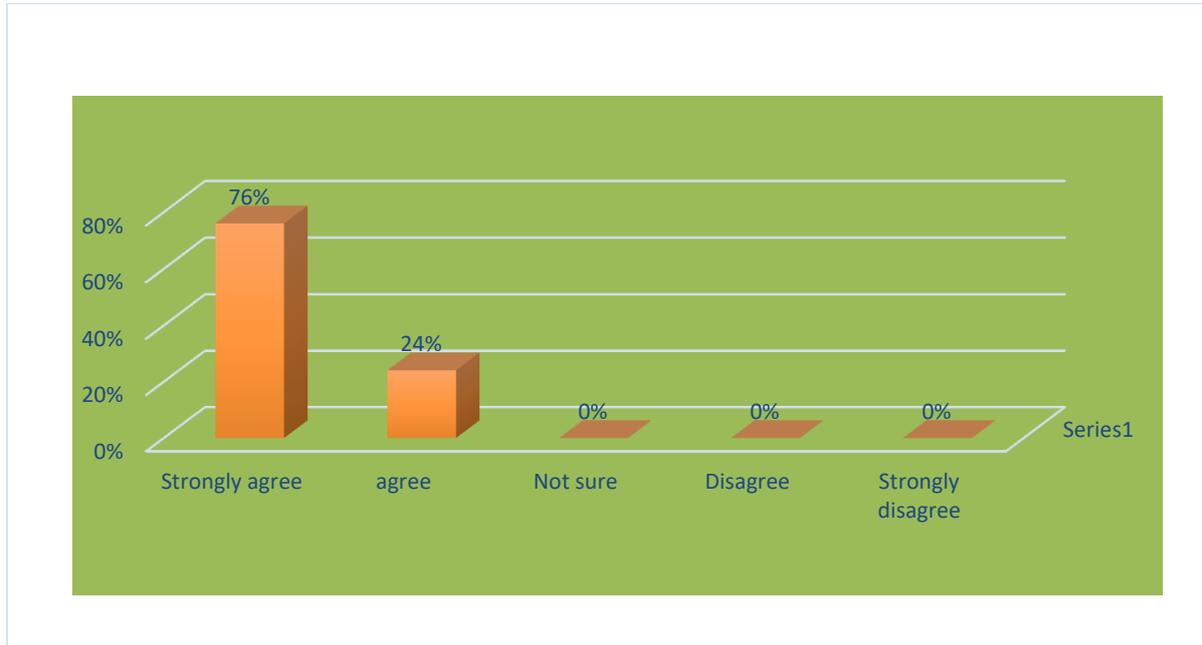


Fig 4.6: weak client internal controls

According to fig 4.12, 76% (16/21) strongly agreed and 24% (5/21) agreed that time budget overruns are as a result of client’s weak internal controls. The respondents agreed to Puncel (2012), who suggested that weak internal controls in a client’s will result in the auditor spending more time doing risk assessments so as to determine the level of risk in a client. This will affect the timing of the audit. The respondents also mentioned that sometimes the client’s documents are not updated and auditors require more time to go through the work or recalculate the figures. Time budget overruns therefore was concluded to be as a result weak internal controls in a client.

ii. Lack of functional expertise

Response	Strongly agree	agree	Not sure	Disagree	Strongly disagree	total
Number of responses	11	6	4	0	0	21
Percentages	52%	29%	19%	0%	0%	100%

Table 4.7: Lack of functional expertise

According to Table 4.13, 52% (11/21) strongly agreed and 29% (6/21) agreed that time budget overruns occurred as a result of absence of audit experts. Respondents mentioned that some audits require expert knowledge for example the audit of OK Human resource in interpreting claims, litigations and minutes. Expert knowledge reduces the timing of an audit. The respondents agreed to Chambers (2012), who explained that some auditors think that they can do it alone without expert help yet it is the root of the problem of budget overruns.

iii. Lack of cooperation from client and lack of management support and buy in.

Response	Strongly agree	agree	Not sure	Disagree	Strongly disagree	total
Number of responses	14	7	0	0	0	21
Percentages	67%	33%	0%	0%	0%	100%

Table 4.8: Lack of cooperation from client and management

According to table 4.14, 67% (14/21) strongly agreed and 33% (7/21) agreed that time budget overruns are as a result of lack of cooperation from client as well as management support. The respondents also mentioned that sometimes they face challenges of staff who do not cooperate during assignments thereby affecting the completion time. The respondents agreed

Wittington (2013), who suggested that failure to receive necessary data on time affects timely completion of audit.

Question 5: Who contributes more to time budget overruns (client or auditor)?

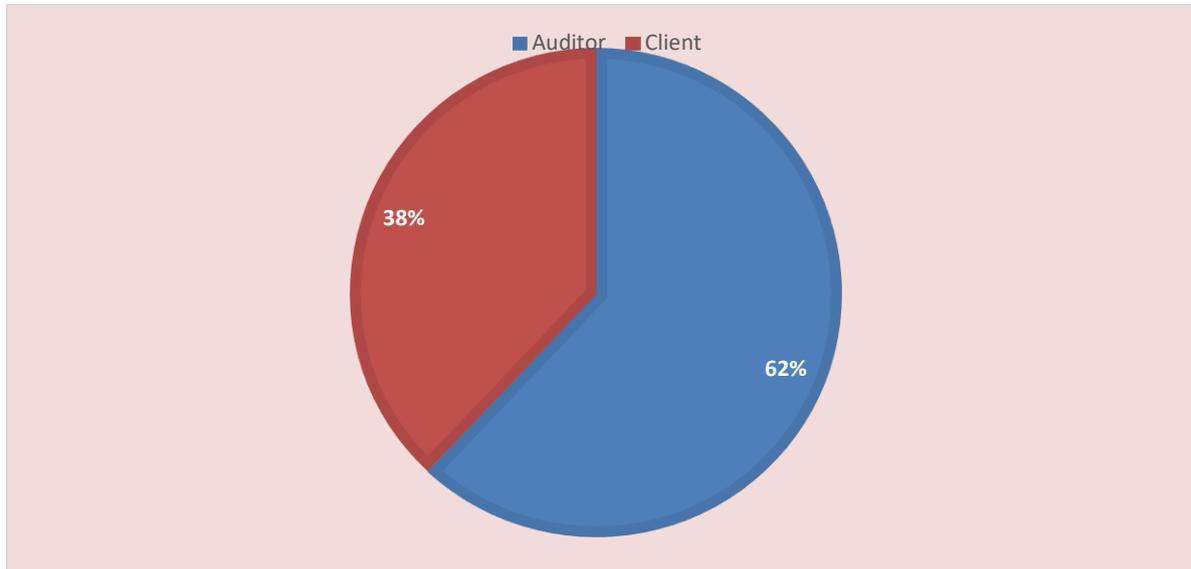


Fig 4.7: who contributes more to time budget overruns?

According to fig 4.15, 62% (13/21) think that the auditor is more responsible for time budget overruns whilst 38% think that the client is responsible. The respondents mentioned that most of the circumstances that result in time budget overruns comes from the auditor because the auditor has to properly plan before any audit. Khan (2013), suggested that the client may contribute to time budget overruns but the successfulness of an audit largely depends with the auditor. Therefore it can be concluded that the auditor contributed more time budget overruns.

Question 6: Factors considered when allocating time budgets to clients.

	Strongly agree	agree	Not sure	Disagree	Strongly disagree	total
i.Previous audit files	15	4	0	2	0	21
Percentage	71%	19%	0%	10%	0%	100%
ii.Preliminary assessment of inherent risk	21	0	0	0	0	21
Percentage	100%	0%	0%	0%	0%	100%
iii. Key audit areas	18	3	0	0	0	21
Percentage	86%	14%	0%	0%	0%	100%
iv. Volume of transactions	19	2	0	0	0	21
Percentage	90%	10%	0%	0%	0%	100%

Table 4.9: Factors considered in allocating time budgets

i. Previous audit files

According to Tab 4.16, 71% (15/21) strongly agree, and 19 % (4/21) agree to the fact that previous audit file are important when allocation and planning for the next assignment. 10 % (2/21), disagreed. The respondents argued that reference to previous audit files assist the auditor to have a rough idea of the time needed on that assignment and when combined with results from planning process, the auditor can accurately allocate time. The respondents were also in agreement Karen (2013), who explained that previous audit files will be treated as a

benchmark for planning the next assignment thereby assisting the auditor allocate more accurate time.

ii. Preliminary assessment of risk

According to Tab 4.16, 100 % (21/21), strongly agreed to the fact that preliminary assessment of risk is important in allocating time budgets to clients. The respondents mentioned that when the auditor determines the level of risk in a client, the level of materiality can be determined and ultimately the completion time. This was in agreement with Florea (2012), who explained that knowing the risk factors in client helps the auditor to identify areas of attention and how much time they need on that assignment. Therefore it can be concluded that preliminary assessment of risk is an important factor in allocating time budgets.

iii. Key audit areas

Table 4.16 shows that 86% (18/21) strongly agreed and 14 % (3/21) agreed that key audit areas is an important factor in allocating time budgets to clients. Respondents mentioned that the auditor must have an understanding of the key areas in the client thereby assisting them to allocate time accurately. The respondents agreed to Ramos (2012), who suggested that when key audit areas are identified, this would assist the auditors to allocate time budgets prioritising those key areas first. Therefore, it can be concluded that key audit areas is important in allocating time budgets.

iv. Volume of transactions

Tab 4.16 shows that 90% (19/21) strongly agreed and 10 % (2/21) agreed that the volume of transactions in a client is an important aspect or tool in allocating time budgets. Respondents also mentioned that the volume of transactions in clients differ from one client to another and therefore should be considered in the allocation of time budgets. This was in agreement with

Dennis (2010) who suggested that volume of transactions in a client can help auditors to estimate time they need on that assignment and reduce the problem of time budgets. Therefore in conclusion, volume of transaction in a client is an important factor in allocating time budgets.

Question 7: Effects of time budget overrun to the auditor

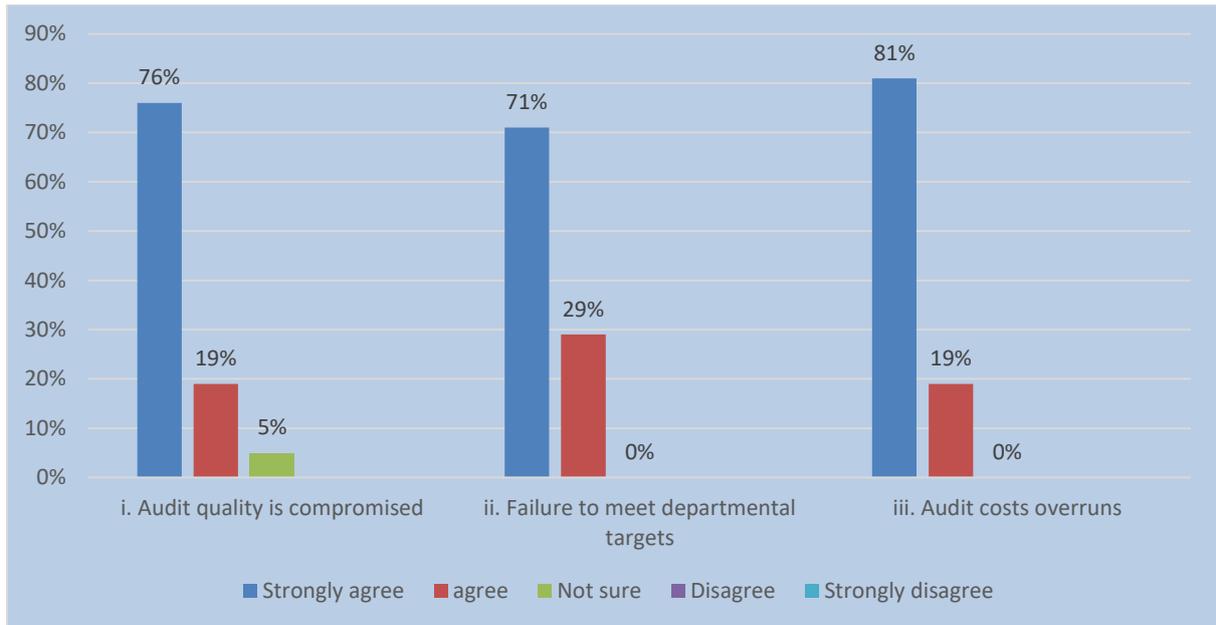


Fig 4.8: Effects of time budget overruns to the auditor

i. audit quality is compromised

According to fig 4.17, 76% (16/21) strongly agreed, 19 % (4/21) agreed and 5% were not sure of the opinion that time budget overruns compromises audit quality. Respondents agreed and mentioned that the quality of the audit is compromised because of doing work hurriedly. They also agreed to Hyatt and Taylor (2013), who suggested that audit quality is compromised because auditors will be trying to cover their remaining work in the extended period.

ii. Failure to meet departmental targets

Fig 4.17 shows that, 71% (15/21) strongly agreed, and 29 % (6/21) agreed to the fact that time budget overruns results in failure to meet departmental targets. The respondents mentioned that departmental targets will be missed and most of the branches fail to be audited more than once. They further went on to say that this increases risks if clients are not regularly visited. They agreed to Sigobohla (2013), who suggested that when auditors continuously experience time budget overruns, the overruns will accumulate to the extent that departmental targets will be missed.

iii. Audit cost overruns

According to fig 4.17, 81% (17/21) strongly agreed, and 19 % (4/21) agreed that time budget overruns results in audit cost overruns. Respondents mentioned that audit costs initially budgeted will be exceeded in the form of hotel costs, transport and food allowances. Therefore it can be concluded that time budget overruns result in audit cost overrun.

Question 8: Effects of time budgets overruns to the client.

	Strongly agree	agree	Not sure	Disagree	Strongly disagree	total
i. Untimeliness of reporting	15	6	0	0	0	21
Percentage	71%	29%	0%	0%	0%	100%
ii. Cost overruns	14	7	0	0	0	21
Percentage	67%	33%	0%	0%	0%	100%
iii. Audit issues are not acted upon on time	14	5	0	2	0	21
Percentage	67%	23%	0%	10%	0%	100%
iv. Loss of time and business	13	5	2	1	0	21
Percentage	62%	24%	10%	4%	0%	100%

Table 4.10: Effects of time budget overruns to the client.

i. Untimeliness of reporting

According to fig 4.18, 71% (15/21) strongly agreed, 29 % (6/21) agreed, that time budget overruns affects the timeliness of reporting. Respondents indicated that the auditors delay to issue the audit report which are also used by external auditors in the audit of financial statements. This ultimately will result in delay of the publication of audited financial statements. Respondents agreed to Ahmed and Hossain (2010), who suggested that time budget overruns affect the timeliness of financial statements which is one of the qualitative characteristics of financial statements. Therefore it can be concluded that time budget overruns affect the timeliness of the audit.

ii. Cost overruns

Fig 4.18 shows that, 67% (14/21) strongly agreed, and 33 % (7/21) agreed that time budget overruns results in cost overruns to the client. The respondents mentioned that most audit fees are charged basing on time .Fontaine and Pilot (2012), suggested the client may end up incurring incremental audit fees than what was originally anticipated paying up more audit fees than the expected and as result leading to clients dissatisfaction.

iii. Audit issues become outdated before they are acted upon

According to fig 4.18, 67% (14/21) strongly agreed, and 23 % (5/21) agreed that time budget overruns results in audit issues expiring before they are acted upon. Respondents mentioned that usually draft audit reports should be issued on time to ensure audit findings are communicated to the client and acted upon. However respondents agreed to Gutbrod and Wiele (2010) who suggested that when audits take too long to finish, they may fail to fulfil their purpose thereby issues becoming obsolete.

iv. Loss of time and business

According to fig 4.18, 62% (13/21) strongly agreed, 24 % (5/21) agreed, 10 % (2/21) not sure and 4 % (1/21) disagreed to the fact that time budget overruns by auditors will affect the client normal operations. Respondents who agreed mentioned that time is lost as a result of attending to auditors. Those who disagreed mentioned that auditors do not consume much time from the client especially if the documents and books are in order. However, Chambers (2012), suggested that auditors require attention for timely completion of tasks, however when they extend their stay the client is also affected.

Question 9: Measures taken to reduce the problem of time budget overruns.

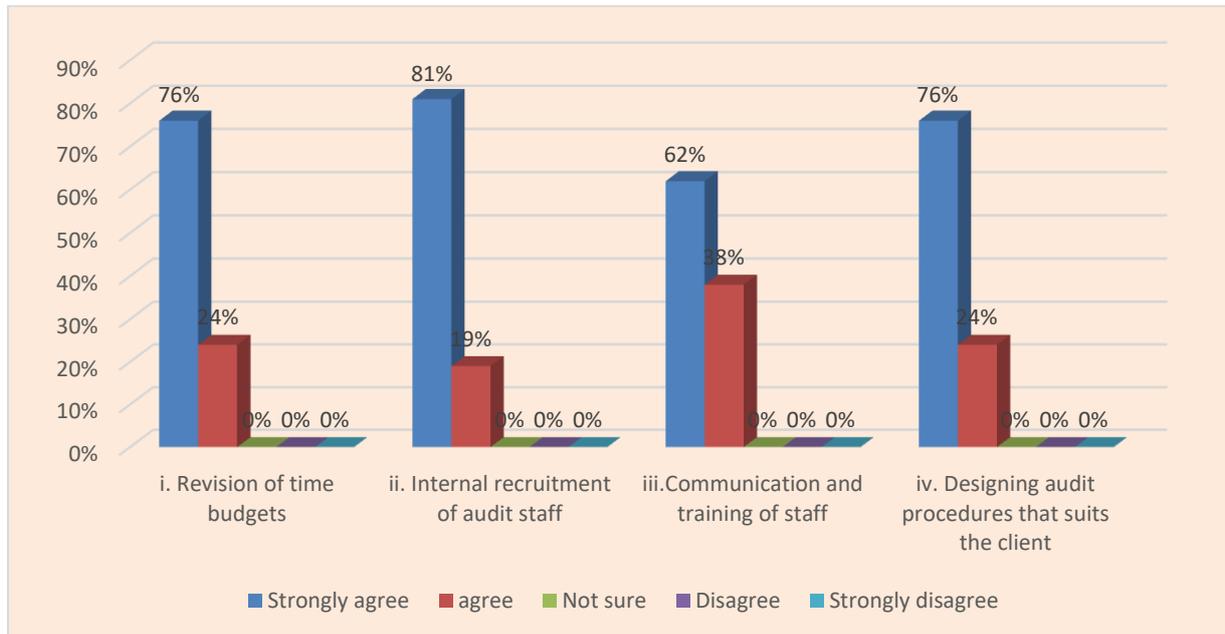


Fig 4.9: measures taken to reduce time budget overruns

i. Revision of time budgets

According to fig 4.19, 76% (16/21) strongly agreed, and 24 % (5/21) agreed that revision of time budgets is important so as to reduce the problem of time budgets overruns. Respondents also mentioned that management must involve audit clerks in time budget preparations. They agreed to Pickett (2010), who suggested that standard time budgets should be regularly revised so that they do not become outdated.

ii. Manage, communicate and training client

According to fig 4.19, 62% (13/21) strongly agreed, and 38 % (8/21) agreed that communication and training of client has better chances of reducing time budget overruns during assignments. The respondents mentioned that at OK Zimbabwe, communication of expectations between client and management helps to reduce time budget overruns. They agreed to Adrian and Downs (2012), who suggested that communication and training of

individuals within the organisation will help auditors to perform their work efficiently and effectively.

iii. Internal Recruitment

Fig 4.19 shows that, 81% (17/21) strongly agreed, and 19 % (4/21) agreed that internal recruitment is important when selecting audit personnel since they have knowledge of the organisation system. Respondents argued that audit staff personnel recruited internally have better knowledge of the organisation. They agreed to Plaatjies (2013), who suggested that internal auditors recruited internally have better knowledge of the organisation and they provide better findings and recommendations.

iv. Designing audit procedures that best suits that particular client

According to Fig 4.19, 76% (17/21) strongly agreed, and 24 % (5/21) agreed that audit procedures can be used as tool for audit efficiency. The respondents agreed to Pickett (2010), who suggested that audit seniors should design audit procedure that are specific to that client so as to eliminate unnecessary audit procedures thereby saving time. The respondents also pointed out that sometimes OK Zimbabwe client's operations may differ from one to the other and sometimes it is important to design audit procedures specifically for that client. Therefore it can be concluded that audit procedures can be used to improve audit efficiency.

4.3.2 Interview Responses

80% (4/5) interviews were successfully conducted.

Question 1: What is the importance of time budgets in auditing?

All respondents mentioned that time budgets are important for planning, scheduling staff, allocating costs and performance measurement. This was in agreement with responses in a questionnaire where respondents had the same knowledge of the importance of time budgets. The respondents also agreed to Khan et al (2013) who suggested that time budgets are

important for planning, performance measurement, allocating costs, scheduling staff. However 50% (2/5) mentioned that time budgets are only guidelines and the auditor may find it necessary to deviate from the budgets when necessary. Therefore it can be concluded that time budgets are important in auditing.

Question 2: What are the causes of time budgets overrun and whom do you think contributes the most to time budget overruns?

All respondents mentioned that time budgets overruns are as a result of circumstances from the client or auditor. From the auditor's side, the respondents mentioned that budgets overruns results from poor planning, resignation by key audit staff at short notice, lack of experienced audit staff. 25% (1/4) further mentioned that time budgets overruns results from wide audit scopes and failure to involve client throughout the audit. This linked to responses from the questionnaire in which majority of respondents indicated that time budgets overruns are as result of poor planning, wide audit scopes, resignation of key staff and lack of client cooperation. This was supported by Chambers (2012) who said that time budget overruns is a result of poor planning.

From the client's side, all respondents agreed that time budget overruns occurs as a result of weak client internal control, failure to assist the team with audit experts and lack of cooperation from the client. Puncel (2012), supported that time budget's overruns results from weak internal controls in a client as well as lack of cooperation from client. 75% (3/4) respondents agreed that the auditor is more responsible for time budget overruns than the client. 25% (1/4) thought otherwise. Therefore it can be concluded that the auditor is more responsible for time budget overruns.

Question 3: What are the factors taken into consideration when allocating time budgets?

All respondents mentioned that previous audit files, preliminary assessment of inherent and control risk, key audit areas and volume of transactions are important factors which should be taken into account when planning for the next assignment. However all the respondents mentioned that in their audits, they have been considering the size of the client only as an allocation base which most probably has been the result of time budget overruns. The respondents agreed to Ramos (2009), who suggested that previous audit files, preliminary assessment of risks, key audit area and volume of transactions are factors to be considered in planning.

Question 4: What are the consequences of time budget overruns?

All respondents mentioned that the consequences of time budget overruns affect both the auditor and the client. On the auditor's side ,all respondents mentioned that budget overruns results in failure to meet departmental targets and increases audit costs.25%(1/4) further mentioned that time budget overruns may affect the quality of audit results. The respondent explained that auditors will be rushing to cover the remaining work in the remaining time.

On the client's side,100%(4/4) respondents mentioned that time budget overruns results in cost overruns, untimeliness of reporting and audit issues becoming outdated.50%(2/4) further mentioned that time may be lost attending to auditors rather than doing business. The respondents agreed to Alinaitwe etal (2013), who suggested that time budget overruns affects both parties to the contract. However 75%(3/4) of the respondents mentioned that although budget overruns have negative effects, the most important factor is audit quality and auditors will do whatever it takes to produce quality audit results. Therefore it can be concluded that time budget overruns have a negative influence to both auditor and client.

Question 5: What measures have been taken or that can be taken to reduce the problem of time budget overruns.

100 % (4/4) respondents mentioned that time budgets need to be revised regularly, training and communication with the client to improve audit efficiency.25 % (1/4) mentioned that audit procedures should be adjusted depending with the client.75%(3/4) suggested that the company must recruit more qualified and experienced audit personnel and that the company has recently added another audit team. The respondents agreed to Rittenburg (2011), who suggested that auditors should ensure that the person assigned to do work have the necessary experience and are also being monitored regularly to improve audit efficiency. The respondents also agreed to Kearney et al (2013), who suggested that proper selection of audit procedures will increase audit efficiency and ensure that the audit focus on areas of audit significance.

4.3.3 Secondary Data

Data was also gathered from audit reports, departmental reports and audit allocation schedules which showed the causes and effects of time budget overruns. According to OK Internal Audit Departmental Report (2014), the department experienced time budget overrun and only covered 48% of the departmental targets. Time budget overruns were as a result of lack of cooperation from client, staff shortage, and resignation by key audit staff.

4.4 Chapter Summary

Data collected was analysed and presented in the form of tables, charts, and graphs. The next chapter will give a summary of the study as well the recommendations.

CHAPTER 5:

CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The purpose of this chapter is to draw conclusions on the data collected and make recommendations to the company.

5.2 Summary of the study

Chapter one of the research covered background of the study in which the researcher highlighted the origin of the problem of time budget overruns including the resultant effects to the company. The researcher presented statistics from the company in support of the background to the problem. The research was established by highlighting the objectives of the research, main research question, limitations, and benefits of the study and definition of key terms. The research objectives included evaluating the importance of time budgets in auditing, investigating the causes of time budget overruns, to analyze various other factors which are considered when allocating time budgets to clients, to investigate the effects of time budget overruns to both client and auditor and to find measures to reduce the problem of time budget overruns.

In Chapter 2(Literature Review), the researcher reviewed the work of other scholars, analyzing each objective. The researcher also linked the literature reviewed to the organization. In Chapter3 (Research Methodology), the researcher explained the research method used and justified how it was linked to the research. A descriptive research method was used and questionnaires and interviews were used as primary data collection instruments. Secondary data were in the form of reports. In Chapter 4, the researcher presented and analyzed the data collected. The findings were also linked to the literature, research methods

and to the organization. A response rate of 87 % (questionnaires) and 80% (interviews) were obtained.

5.3 Research findings

OK Zimbabwe Internal Audit Department uses standard time budgets when planning for their assignments. The time budgets are allocated depending on the size of the branch and the sizes range from medium, low to high. Audit seniors are responsible for allocating time budgets .The bases used for allocation of time budgets was the root cause of the problem since auditors were not taking into account other important factors for allocating time budgets. According to Ramos (2009), these factors include prior years' time budgets, preliminary assessment of risk, volume of transactions and key audit areas.

Time budget overruns were as result of situations emanating from both the auditor and the client. The most common causes of time budget overruns as a result of the auditor noted by the researcher and also mentioned by various scholars were poor planning, audit scopes too wide, lack of experienced and adequate staff, failure to involve client throughout the audit and resignation of key audit staff at short notice. Also mentioned were causes of time budget overruns as a result of the client which included: failure to assist the team with audit experts, lack of cooperation in providing the necessary data needed and weak client internal controls.

Time budget overruns affected both the auditor and the client. On the auditors side time budget overruns resulted in poor audit quality, failure to meet departmental targets, delaying to issue audit reports and audit costs overruns. On the client's side time budget overruns resulted in loss of time, costs overrun, untimeliness of reporting and audit issues expiring before the issue of an audit reports.

5.4 Conclusions

As a result of literature collected and data collection findings, conclusions could be drawn that time budget overruns resulted from both the client and the auditor. However enough evidence was gathered to conclude that the auditor contributed more to time budget overruns than the client.

5.5 Recommendations

Auditors must start planning their audits on time and avoid doing that at the last minute .Most of the causes of time budget overruns were as a result of poor planning and once the planning is not proper this would affect the whole audit. OK Zimbabwe Internal Audit can use can use quarterly or half yearly audit plans which are much easier for monitoring progress.

Audit management must set time budgets that are realistic that enables audit clerks to perform their duties efficiently. Time budgets must be able to accommodate both the auditor and the client. Audit management must also involve audit clerks in budget preparation and attend to their views since they are the once responsible for collection of audit evidence.

Client staff must be continuously reminded and encouraged to cooperate with audit for timely completion of assignments. The benefits of audits must be communicated to all ignorant staff members. Meetings must be conducted prior to commencement of the audit with auditee staff so as to highlight what both parties expect from each other during the performance of the audit assignment.

Audit management must clearly explain instructions to audit assistance especially to those who are less experienced so that they can better perform their duties and produce quality audits. For less experienced auditors, the company should organise training programmes

regularly to enhance and enrich their skills and knowledge for quality results. The company should also upgrade the minimum qualifications required for audit staff.

5.6 Areas of further study

The researcher proposes that researchers who intends to do further researches in relation to this area of study focus on time budget pressure and their impacts on audit quality.

5.7 Chapter Summary

This chapter briefly explained the summary of the study and the research findings. The researcher also highlighted the recommendations thereof and further areas of study.

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Midlands State University

Our Hands, Our Minds, Our Destiny



Appendix 1: Request to conduct research at OK Zimbabwe Midlands State University

P.Bag 9055

Gweru

Service Audit Manager

OK Zimbabwe Limited

7 Ramon Road

Graniteside

Harare

RE: RESEARCH ASSISTANCE

My name is Sharai Abigail Mashanda a final year student at Midlands State University studying towards Bachelor of Commerce Accounting Honours Degree. I am seeking approval to carry out my research at your organization on the topic: **Investigating the causes of time budget overruns or delays during internal audit assignment: A case of OK Zimbabwe Limited**. Be assured that all the information that you will provide will be treated as confidential and will be used for academic purposes only.

Your support regarding this matter will be greatly appreciated.

Yours faithfully

Sharai Mashanda

R09171A



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Our Hands, Our Minds, Our Destiny



Appendix II: Questionnaire

Dear respondent

My name is Sharai Mashanda, a final year student undertaking a Bachelor of Commerce Accounting Honors Degree at Midlands State University. I am doing a research titled: An investigation on to the causes of time budget overruns when carrying out internal audit assignments. Please feel free to answer the questions below by ticking in the box which you think is more appropriate. Your responses are confidential and are being solicited for academic purposes only.

Position.....

1) Time budgets are important in auditing for the following reasons:

	Strongly agree	Agree	Not sure	Strongly disagree	Disagree
i. Guideline for completion of tasks					
ii. Allocation and controlling of costs					
iii. Planning process of the next assignment					
iv. Performance measurement					

2) Time budgets results in time budget pressure thereby compromising audit quality

Strongly agree	Agree	Not sure	Strongly disagree	Disagree

3) The following are causes of time budget overruns as a result of circumstances from the client:

	Strongly agree	Agree	Not sure	Strongly disagree	Disagree
i. Poor planning					
ii. Audit scope too wide					
iii. Resignation by key audit staff at short notice.					
iv. Lack of experienced and adequate number of staff.					
v. failure to involve the client throughout the audit.					

4) The following are causes of time budgets overruns as a result of circumstances from the client.

	Strongly agree	Agree	Not sure	Strongly disagree	Disagree
i. Weak client internal control					
ii. Failure to assist the team with functional expertise.					
iii. Lack of cooperation from staff members or senior management support and buy in.					

5) Who do u think mainly contributes to time budgets overruns:

	Strongly agree	agree	Not sure	Strongly disagree	Disagree
Auditor					
Client					

6) The following factors should be taken into account when allocating time budgets to clients:

	Strongly agree	Agree	Not sure	Strongly disagree	Disagree
Previous audit files					
Preliminary assessment of inherent and control risk					
Key audit areas					
Volume of transactions in a client					

7) The following are effects of time budgets overruns to the auditor:

	Strongly agree	Agree	Not sure	Strongly disagree	Disagree
Audit quality is compromised					
Failure to meet departmental targets					

8) The following are effects of time budget overruns to the client:

	Strongly agree	Agree	Not sure	Strongly disagree	Disagree
Untimeliness of reporting(Financial Statements)					
Cost overruns					
Audit issues become outdated before they are acted upon					

9) The following can be done or used to improve audit efficiency:

	Strongly agree	Agree	Not sure	Strongly disagree	Disagree
Revising time budgets more often					
Internal recruitment of audit personnel					
Communication and training of clients					
Designing audit procedures that best suit that particular client.					

THANK YOU FOR YOUR COOPERATION

Sharai Abigail Mashanda

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Appendix III: Interview Guide

INTERVIEW GUIDE TO OK ZIMBABWE LIMITED

1. What is the importance of time budgets in the audit field?
2. From your experience with the organisation, what causes time budgets overruns and who you think mainly constitutes to time budget overruns (client or auditor).
3. What do you use as a basis for allocation of time budgets to client?
- 4 What are the consequences of failing to meet time budgets?
- 5 To reduce the problem of time budget overruns, what measures have you taken?