



Midlands State University

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FACULTY OF COMMERCE

ACCOUNTING DEPARTMENT

**AN INVESTIGATION OF THE EFFECTS OF NON-IMPLEMENTATION OF
INTERNAL AUDIT RECOMMENDATIONS ON THE FINANCIAL PERFORMANCE
OF AN ORGANISATION: A CASE OF MSU.**

BY

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**SUBMITTED TO THE MIDLANDS STATE UNIVERSITY IN PARTIAL
FULFILLMENT OF THE REQUIREMENTS FOR BACHELOR OF COMMERCE
ACCOUNTING HONOURS DEGREE**

YEAR: 2017

MIDLANDS STATE UNIVERSITY

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DEGREE TITLE: BACHELOR OF COMMERCE ACCOUNTING HONOURS DEGREE.

YEAR THIS DEGREE GRANTED: 2017

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DECLARATION

I Wellington Johanisi R158500Z a student at Midlands State University do hereby declare that this document is an original piece of work done by me.

DEDICATION

This report is dedicated to my family and friends.

ACKNOWLEDGEMENTS

I am grateful to God Almighty for without his grace and blessings this study would not have been possible. I am also grateful to my supervisor Ms C. Mhaka of Midlands state university faculty of commerce department of accounting, whose expertise, understanding generous guidance and support made it possible for me to work on a topic that was of great interest to me. It was a pleasure working with her. I would like to thank Internal Audit team of MSU for giving me time, being extremely polite and patiently helping me in doing my study. Lastly I would like to express great appreciation to my family and friend their unwavering support throughout my study.

ABSTRACT

This research was undertaken to investigate the effects of impact of non-implementation of internal audit recommendations on the financial performance of MSU. The objective of this study is to identify factors hindering the implementation of internal audit recommendations and to determine the relationship between effective implementation of the recommendations and organisational performance. The research is qualitative in nature. The research was based on case study of Midlands State University. Likert scale questionnaires and structured interviews were used as research instruments. The descriptive research design method was also used in gathering data on a chosen sample of 45 participants. Primary sources of data were used in gathering data namely questionnaires and face to face interviews and 90% respond rate was obtained from data gathering.

Major findings showed that the lack of finance and resources and the lack of progress checks or follow ups are the major factors and challenges affecting the implementation process thus resulting in higher business risk. The researcher recommended that regular progress checks and follows ups be made by the IAF and an established, vibrant audit committee and also training and continuous development of management and employees at MSU to appreciate the functions and value of the internal audit team and also stay abreast with happenings in the business environment. The research was a success with an originality report result of 7%.

LIST OF ABBREVIATIONS AND ACRONYMS

IAF- Internal Audit Function

ICS- Internal Control System

IIA- Institute of Internal Auditors

MSU- Midlands State University

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CHAPTER 1: INTRODUCTION TO THE STUDY

1.0 Introduction

Effectiveness of operations and management of organization's assets including funds will be achieved through implementation of recommendations raised by the internal audit team. Bowen (2011) and Pacek (2012) support that the implementation of internal audit findings help reduce costs and exposure of the organization to risks so that profits may be maximized. Scholars that include Yousif (2011), Damodaran (2012) and Gandolfi (2013) also highlighted that twenty first century companies rely on the internal audit department for analysis of financial statistics, internal controls and even methods of production to come up with the most efficient and effective methods of carrying out business. Gondolfi (2013) also states that internal audit function overall gives an organization an expert opinion on the way in which business resources can be used to enhance business performance. However these researches were opposed by Jensen (2012) and Berk (2010) who argued that internal audit effectiveness and implementation of their recommendations does not guarantee improved business performance. This was supported by Tangen (2014) who stated that businesses face risks posed by the business environment that maybe difficult to mitigate or eliminate even with an internal audit team. Briault (2015) and Meekings (2013) also highlighted that recommendations by the internal audit team are usually costly to implement thus adding to the costs of the business.

The above studies were silent on causes or effects of not adopting or implementing IAF suggestions, advices and recommendations in a higher learning institution in an emerging economy facing harsh economic conditions like Zimbabwe. The study explores on the effects

of the reluctance of management to implement audit suggestions and recommendations at MSU.

1.1 Background to the study

Midlands State University (MSU) is an academic institution formed in 1999 in Zimbabwe. Planning and Control meeting held in March 2015 highlighted that the institution’s growth since 2009 to present has resulted in the increase in operating costs and also affected the effectiveness of internal controls leading to the rise of fraud cases. However, a trend analysis of internal and external audit reports issued from 2012 to 2015 shows that audit findings and recommendations are recurring from year to year. This is a sign that those charged with governance are not taking satisfactory measures to amend identified spillages and risks in the organisation. Table 1.1 below shows the statistics of the rate in which internal audit recommendations are being implemented.

Table 1.1 Audit findings and implementation rate of recommendations

Year	2012	2013	2014	2015
Number of findings highlighted in audit reports	10	15	21	22
Number of recommendations raised	10	15	21	22
Total number of recommendations implemented	4	8	11	9
Implementation rate	40%	53.33%	52.38%	40.91%

Source: Risk and ethics committee meeting minutes 2016

Table 1.1 above reflects that the internal audit team has come up with recommendations for each of their findings every year as follows in 2012 there were 10 findings and 10 recommendations given, 2013; 15 findings and 15 recommendations, in 2014; 21 findings and 21 recommendations and in 2015; 22 findings and 22 recommendations. It however highlights that management is reluctant to implement the recommendations while some are implemented late. The implementation rate has fluctuated from 40% in 2012 to 53% in 2013 to 52.38% in 2014 and 40.91% in 2015.

In February 2016 external auditor carried out an implementation status review of the external audit report issued of in March 2015. Their implementation status report highlighted that 65% of the recommendation made in 2015 were not implemented. Out of 65%, 30% were recurring recommendations of the prior year. This was in the minutes of finance committee held in March 2016. Table 1.2 below shows the various recommendations that have been made by the internal auditors and their implementation status.

Table 1.2 Sample of audit recommendations not implemented and or not implemented on time.

Year	Internal audit recommendations	Implementation status	Effect
2015	Fuel allocated to designate members to be assigned monetary value which is grossed to income as benefits are deemed taxable income under the Income Tax Act. It was also reported in 2016.	Not yet implemented	This will attract fines and penalties from ZIMRA for non-compliance to Income tax regulations.
2014	Internal audit recommended segregation of duties and daily cash reconciliation in cash office. The finding was also reported in 2015 and 2016.	Implemented in 2016	Absent of segregation of duties and lack of reconciliations exposes the university to risk of financial loss. Accounting assistant took advantage of that and embezzled cash amounting to \$101,960 in 2015.
2013	Internal audit recommended that all payments to suppliers above US\$200.00 should be done in form of bank transfers. This was also reported in 2014 and in 2015	Implemented in 2016	Delay in implementation led to fraud of \$301,000 by an employee. The money was for insurance premiums paid in cash to an insurance broker of Nicoz Diamond.
2012	Internal audit recommended the setting up of credit control department to administer credit facilities and manage debtors. It was also reported up to 2016.	Not yet implemented	Amount of debtors is increasing from year to year and posing a significant doubt of recovering them.

Source: Internal audit reports 2013-2016

Table 1.3 Sample of external audit recommendations not implemented and or not implemented on time.

Year	External audit recommendations	Implementation status	Effect
2015	External audit recommended that management should consider implementing a computerized asset register to manage the high volume of the university transaction	This is still unresolved.	Assets misappropriations will be difficult to detect.
2015	From the review of internal audit findings and implementation of recommendations, external auditors highlighted that several recommendations made by internal auditors were not implemented.	Nothing much has changed as far as adoption of suggestions and recommendations given by the IAF is concerned.	Non implementation of internal audit findings and recommendations compromises the efficiency and effectiveness of the university's internal controls.

Source: External audit report for the year ended 31 December 2015.

Table 1.2 and 1.3 highlight the various risks that the organisation is exposed to risk by not implementing audit findings in time for instance fraud that has already occurred twice and the organisation has lost funds. In addition the benefits of internal audits will also not be recouped and risk will remain if the recommendations are not implemented within agreed time frame.

1.2 Statement of the problem

The organization is losing funds because recommended controls and other suggestions by the IAF have not been adopted by management or the implementation is delayed. The benefit of having the internal audit department is therefore not yielded as financial performance has not improved and risk behaviors such as fraud and embezzlement of funds are happening because of weak controls. An investigation is being carried out to evaluate the impact of non-adoption of suggestions and recommendations given by the IAF on the performance of MSU.

1.3 Main Research Question

What is the impact of not implementing audit recommendations given by the IAF on the financial performance of Midlands State University?

1.4 Objectives of the study

- To investigate factors hindering the adoption of recommendations given by the IAF.
- To identify the challenges faced during implementation.
- To determine the relationship between effective implementation of the recommendations and organisational performance.
- To establish most ideal methods of encouraging timely and effective implementation of the IAF recommendations by management.
- To determine the effects of non-implementation of recommendations given by the IAF.

1.5 Sub-Research questions

- What factors hinder the adoption of recommendations given by the IAF?

- What challenges are faced during the implementation process?
- What is the relationship between effective implementation of the recommendations and organisation performance?
- What measures can be put in place to encourage those charged with governance to timeously and effectively implement the IAF recommendations?
- What are the resultant effects of non-implementation of recommendations given by the IAF?

1.6 Justification of the study

The research is a contribution to literature that may be used by other students for further research. Specific information and suggestions are also highlighted in the study which may be taken into consideration by the institution to ensure internal audit recommendations are effectively implemented to ensure the institution's financial performance improves.

1.7 Delimitation of the study

The research was focused on establishing the impact non-adoption of suggestions and recommendations given by the IAF has on the performance of MSU Gweru. The research covered the period 2012 to 2016 and employees and management of MSU were the respondents.

1.8 Limitations to the study

The data gathered and conclusions made may not accurately represent or reflect the entire MSU institution as the researcher was limited to MSU Gweru main campus financially and due to time.

1.9 Research assumptions

The researcher assumes that management and employees at MSU have basic knowledge of the IAF and its contribution towards the institution's financial performance. It is also assumed that the non-adoption of IAF suggestions adversely affects the control environment and ultimately the financial performance of MSU.

1.10 Definition of terms

Fraud- An activity of deceit or violation of trust done illegally to gain money, property or services or avoid loss by parties in an organisation according to Elger (2012).

Internal Audit Function (IAF) – An independent team of expert individuals who provide services in assurance and consultancy to enable the organisation attain its goals through adoption of the most efficient and less risky processes in internal controls, risk management and governance, Pacek (2012)

1.11 Chapter Summary

The chapter gives an overview of the impact of non-implementation of internal audit recommendations on the performance of an institution using research information from different authors from other countries and sectors and statistics from MSU. It covers the basics elements including the background of the study, statement of the problem, and research objectives.

CHAPTER 2: LITERATURE REVIEW

2.0 Introduction

The chapter focuses on the review of literature and other academic material relating to the effects of non-implementation of internal audit recommendations on the performance of an organization. Theories formerly established concerning the area under study are analyzed and discussed to create a foundation for this research. The first section 2.1 highlights the general factors that affect the implementation of audit recommendations, while section 2.2 discusses the major challenges encountered when trying to implement auditors' recommendations. The relationship between effective implementation of recommendations and organizational performance is deduced in section 2.3 then section 2.4 deals with the effects of not implementing the recommendations. The final section 2.5 reviews the best ways to persuade management to consider and implement audit recommendations to ensure organizational performance improve.

2.1 Factors Affecting The Implementation Of Audit Recommendations

2.1.1 Availability of resources and time

According to Zakari (2012) the foundation of the implementation of audit implementation is the availability of resources and time to adopt the recommendations. Abdullah (2014) explained that the implementation process requires funding such that the unavailability of adequate funding results in the delay or non-implementation of audit recommendations. Internal audit recommendations may include establishment of new functions for instance Credit control department, recruitment and training of employees and change or modification of accounting systems to ensure the reduction of risks and optimization of business processes which requires

funds, human capital, time and other resources according to Neal et al (2014). Ibrahim et al (2014) and Bailey (2010) support that organisations need to seriously consider the costs of implementing audit recommendations and actually budget a reasonable amount to enable the implementation process otherwise when there are no resources the recommendations will not be implemented.

On another note Paape (2014) argued that organisations allocate and set aside adequate funding and resources in their budgets towards audit related expenditure thus availability of resources may not be an issue. Masood and Lodhi (2015) supported that funds are allocated in budgets for the purposes of implementing auditors recommendations thus there is always a proper plan on how to effectively use the resources allocated and at the same time ensure effective implementation. Abdullah (2014) also added that management may implement other audit recommendations without use of extra resources but those already available such as perfecting segregation of duties on the already available employees instead of hiring new employees.

Stewart and Subamanium (2010) and Cohen and Savag (2010) took a neutral notion highlighting that the implementation of some recommendations demands huge funding and involves long processes of evaluating current business methods and trying new ways of doing things but management may not need to worry about the resources available since not all recommendations require such inputs and funds would have been allocated during the budgeting process. The theories above were deduced in economic setups other than Zimbabwe and focused mainly on resources excluding the time frame factor. The researcher henceforth intends to figure out how

the availability of resources and time frame affects the adoption of suggestions and recommendations given by the IAF at MSU.

2.1.2 Management appreciation of the IAF

According to Bailey (2010) and O'Hearn (2015) the appreciation of the IAF's contribution and effects of implementing their recommendations affects the implementation process. This is because management that does not understand and appreciate the expertise and advice of the IAF is likely to delay or not implement the recommendations unlike management that is knowledgeable, stated Ibrahim et al (2014). Stewart and Subraminium (2010) also highlighted that management who have knowledge of the functions of the IAF and know that implementing audit recommendations reduces the overall business risks for the business and results in better performance of the business thus they embrace and eagerly implement the auditors' recommendations. Also management who have understood that internal auditors are only watchdogs and not blood hounds accept auditors marking and correcting their work and effect the corrections on the areas highlighted, according to Al-zeaud (2012).

However Salehi et al (2011) argued that management appreciation of IAF does not affect the implementation or not of recommendations but rather the availability of resources to carry out the task does. This was supported by Paape (2014) and Gramling et al (2011) who also alluded that the fact that management may not appreciate the value of the auditors does not result in the non-adoption of suggestions and recommendations given by the IAF unless when management have something to lose by implementing the recommendations. The fact that management have a

misconception about auditors make them fear them and appreciate the auditors hence implement recommendations according to Shamsin (2011).

Burnby (2009) gave a neutral point of view that management appreciation may affect their attitude towards the adoption of suggestions and recommendations given by the IAF but when there are follow ups management will be obligated to implement the recommendations. The above researches focused on organizations in developed economies who have had internal audits for longer and appreciate them more than third world countries. The researcher seeks to investigate whether the appreciation of management of the need for the IAF affects the implementation of audit recommendations.

2.1.3 Lack of follow ups

According to Masood and Lodhi (2015) and Ashouri et al (2015) the other factor that affects the adoption of suggestions and recommendations given by the IAF is lack of follow ups. The authors explained that when the auditors or audit committee do not follow up to see whether the recommendations are implemented or not management relax and tend to ignore the process. Rehman et al (2016) and Hutchings (2014) added that management may also overlook or ignore implementing recommendations when they know there are no consequences to non-implementation without proper reasons. O'Hearn (2015) posited that management end up treating the audit process as a formality when they know they are not brought to account on non-implementation of any of the audit recommendations.

However, Gramling et al (2012) argued that follow up do not guarantee the implementation of all audit recommendations when other factors such as resources and funds are unavailable. This was supported by MacRae and Gills (2014) who highlighted that when management appreciate the contribution of the internal audit team they implement audit recommendations even without follow ups being made.

Aaron and Gabriel (2010) took an impartial stance highlighting that follow ups are necessary as they encourage timeous implementation of audit recommendation but then without the follow ups implementation can still be done. The facts and opinions above were derived from researches on other organisations and not MSU thus this research intends to find out whether follow ups are done at MSU an how they affect the implementation of audit recommendations.

2.1.4 Independence and objectivity of internal auditors

The independency and objectivity of the internal auditor may affect the implementation of the audit recommendations as alluded by Alim et al (2011). The authors further state organisations rely and value more the assurance given by the IAF when there is independence and objectivity on the auditors' part. Stewart and Subramaniam (2010) and Bailey (2010) posited that when auditors lack independence there is less credibility on their work, the findings and the recommendations as well which may result in complacency of management when it comes to implementing audit recommendations. Ashouf (2013) also alludes that auditors are objective when they give a professional, expert, honest and uninfluenced opinion and advice to the organisations on how to effectively do business and stay competitive. The internal auditors make an honest and balanced analysis of the events and circumstances without influence of other or

their own interests to form a judgment and give solutions that ensure effectiveness of the IAF and that management do not question the motives behind their work or recommendations, Ibrahim et al (2014).

In contrast to these beliefs, Paape (2014), Salehi et al (2011) and Alzebani and Gwilliam (2014) asserted that auditors' independence may not affect the implementation of the recommendations as they are inevitably involved with the members of the organisation but still act in their expert capacity to give advice to management. The IIA Report (2013) further identifies seven key threats to their independency and objectivity that include self-review and familiarity threat arguing that total independence can never be attained by the IAF but they still perform their duties giving expert opinion and advice thus the issue of independence does not affect the implementation thereof.

Gramling et al (2012) posed an impartial notion suggesting that an IAF that lacks independence compromises on its value to the organisation thus their recommendations may or may not be taken seriously. Zakari (2012) explains that management may not respect the opinion of an IAF that is not independent as they may be involved together with the auditors in dealings of the organisation but noble management may still consider recommendations and implement them when they see that they are reasonable and in the best interests of the organisation. The above literature was gathered in private and public sector organizations but in stable and sound economies in BRIC countries and not in an unstable and uncertain economy such as Zimbabwe hence the researcher intends to find out the extent of the contribution of auditor independence and objectivity on the implementation of the auditors recommendations.

It is the researcher's view that whether management implements the internal auditors' recommendations is affected by many issues some discussed above such that there is need for constant follow up by internal auditors on progress of the recommendations and reasons why other recommendations may not be implemented.

2.2 Challenges Faced In Implementing Audit Recommendations

2.2.1 Financial Constraints

Pasula (2015) asserts that one of the major challenges or causes of delay in implementing audit recommendations is the unavailability of adequate funds to carry out the implementation. Hajaee and Rafi (2011) explain that most if not all the recommendations of internal auditors involve beefing up internal controls for instance recruiting more employees to allow for proper segregation of duties or upgrading physical controls of which these require funds for execution. This is supported by Ibrahim et al (2014) who alludes that lack of funds frequently causes delays in the implementation process for instances such as the change of an accounting or security system within an organisation which require heavy financing. Shamsin (2011) and Ali et al (2012) also supports that other recommendations that involve the recruitment of new employees for instance to enable proper segregation of duties are also hindered because of lack of finance to carry out the process.

On the hand Rehman et al (2011) asserts that for many of audit recommendations especially revolving around segregating of duties, management can devise alternative action that may not cost the company for instance making use of the readily present personnel. This was supported

by Kida and Unegu (2011) who asserted that adoption of suggestions and recommendations given by the IAF does not have to be costly as it mainly suggests the modification of already present controls and resources. Zakari (2012) affirms that the adoption of suggestions and recommendations given by the IAF is not costly at all as the costs to be incurred benefit the organisation both in the short term and in the long term.

Ashouri et al (2015) took a neutral stand suggesting that management has to strike a balance using the cost benefit analysis in implementing internal audit recommendations. This research therefore intends to determine whether the cost of implementing audit recommendations at MSU is the challenge resulting in delays or non-implementation of audit recommendations.

2.2.2 Complex issues

Warren et al (2011) states that audit recommendations often involve a number of functions in the organisation such that their execution especially in large organisations will be a long and complex process. This is supported by Ashouri et al (2015) who states difficult, complicated and long process issues are also addressed during the audits and recommendations given such that it is difficult to implement the recommendations management may have to consult experts and other stakeholders. Hajah and Rafiee (2011) further highlight that the case is worse when new systems are to be adopted hence it can take years for the organisation to fully implement the recommendations. Pasula (2015) also supported that recommended practises and policies for example creating a new credit control department which means a complete overhaul of policies in the organisation which is new, time consuming and a complex dynamic to the organisation.

However Neal et al (2014) argues that the complexity of the recommendations is not a problem the internal audit team is always there assisting in the implementation process unlike external auditors. This was supported by Nadon (2015) and the IIA Report (2013) who highlighted that audit recommendations are never complex but require committed and dedicated staff and management who value the auditors' opinion. Auditors recommendations are always on concrete findings and have to implemented to reduce risks within the organisation such that the issue of complexity cannot be considered as a challenge according to Warren et al (2011)

Bond (2011) took an impartial standing alluding that it takes time and is difficult to effect significant changes in an organisation regardless of the complexity of the issues at hand. The above arguments and notions were developed on specific researches to other organisations in other countries thus the researcher also intends to find out the complexity of the audit recommendations given by the audit function and if this is one of the challenges faced in implementing them specifically at MSU.

2.2.3 Personnel related issues

Shamsin (2011) and Abdullah (2014) argue that for the IAF to effectively implement their recommendations there is need for competent and dedicated staff within the finance or accounting department and the organisation as a whole. This was supported by Pasula (2015) who alluded that it takes time to recruit new employees as and when recommended by the auditors plus it is even more difficult to implement audit recommendations when the present staff is not knowledgeable, skilled or experienced enough in handling audits and implementing audit recommendations. Warren et al (2011) also seconded that staffing shortages have also

contributed to a significant backlog in the implementation process and the lack of competent and experienced personnel in the various departments also pose as a challenge in trying to implement internal audit recommendations effectively. The general lack of cooperation by staff in an organisation is a challenge when implementing the recommendations, according to Aaron and Gabriel (2010).

Bond (2011) however argue that it is mainly the duty of management and the IAF to implement even by imposing the recommendations onto the staff. Neal et al (2014) supports that as long management is supportive to the IAF it is easier for them to therefore adopt audit suggestions and recommended practices. Other personnel in the organisation are not a problem when it comes to the adoption or not of IAF suggestions as staff always follow their leadership otherwise hence it is management who decide and influence the staff on which, how and when recommendations and suggestions given by the auditors will be adopted and implemented.

Nadon (2015) took a neutral stance alluding that for effective implementation the workforce has to be competent but it may be better to have staff who are committed to the implementation process than competent but uncommitted staff. These parallel lines of thought shown by the different authors on their studies in developed countries has motivated this research to investigate if personnel are posing any challenges on the adoption of auditors suggestions and recommendations at MSU.

The researcher is of the view that personnel attitudes are essential in ensuring that recommendations given by the IAF are effectively implemented and different challenges may be

faced when implementing audit recommendations but a balance has to be struck especially on the costs and more benefits derived from the IAF.

2.3 Relationship between Non-Implementation of the Recommendations and Financial Performance.

2.3.1 Significantly Positive relationships

Gramling et al (2013) alluded that there exist positive relationships between non-implementation of IAF and the financial performance of the organisation as non-implementation results in reduced effectiveness of the control system of the organisation therefore encouraging fraud, misuse or mismanagement of company assets resulting in reduced profits and poor gearing for the organisation. This was concluded in a research where a census of 30 respondents was used to answer questionnaires. Burnbay (2014) also conducted a research using 50 respondents and concluded that not implementing audit recommendations weakens the internal control systems with poor segregation of duties and accountability and this creates loopholes for risk such as fraud and other loss of organisation resources thus result in reduced profits.

Ali et al (2012) argued that the maintenance of the control system is actually costly and expensive for the organisation thus it is non-implementation saves money hence increases profits. This conclusion was made basing on a research where primary data sources were used in collecting research data through questionnaires and face-to face interviews. Bailey (2010) also carried out a research and posited that the internal audit itself may be compromised by certain threats to the audit for instance familiarity and intimidation threats which may result in

ineffective audit process such that whether the recommendations are implemented or not will not affect the performance of the organisation.

Cohen and Savag (2010) took an impartial stance and alluded that non implementation may result in weakening the control environment but implementation may also not make a difference to the deficiencies that exist within the IAF. This conclusion was made after a study done using a sample of 55 respondents and structured closed-ended questions were used. The above ideologies were derived from researches done in other organisations besides MSU and with limited focus on the possible factors that actually limit the effectiveness of the audit process and recommendations. This research seeks to investigate the significantly positive relationships between non-adoption of suggestions and recommendations given by the IAF and the financial performance of MSU.

2.3.2 Positive relationships

Rehman et al (2016) posited that there also exist positive relationships between non-adoption of suggestions and recommendations given by the IAF and the financial performance of the organisation as not implementing the recommendations results in poor business processes which result in reduced productivity and revenue. The conclusion was made in a research where closed-ended questions were used in collecting data through questionnaires using the Likert scale and a sample of 90 respondents considered. Paape (2014) also supported that organisations that do not implement audit recommendations have business processes that get more and more inefficient and outdated meanwhile reducing productivity and revenue for the organisation. A sample of 60 respondents was used to come up with that conclusion.

On another hand, Pasula (2011) argued that non-adoption of suggestions and recommendations given by the IAF results in higher risks of fraud which results in the organisation losing more resources through fraudulent activities and settling the fraud cases in court which will consume more resources and time. This research was done using a sample of 75 respondents and the closed ended questions were also used by the researcher.

Nadon (2015) took a neutral stance and argued that non-adoption of suggestions and recommendations given by the IAF does not equals poor business processes or guarantee the saving of resources and time especially in the long run as it has negative consequences instead of positive ones. The researches above were done in other organisations and not MSU this research seeks to find out if there are positive relationships that exist between the non-adoption of suggestions and recommendations given by the IAF and the financial performance of MSU.

2.3.3 Significantly negative relationships

Cohen and Sayag (2010) asserts that there is a significantly negative relationship between the non-adoption of suggestions and recommendations given by the IAF as non-implementation results in increased audit risks which means more chances of fraudulent activities happening and going undetected hence significantly reducing company profits. The data was gathered through questionnaires that were distributed to 82 respondents and 8 managers were also interviewed in the study. This was supported by Zakari (2012) who posited that non-adoption of suggestions and recommendations given by the IAF also increases risk of undetected fraudulent activities, errors and misuse of funds and other resources which results in the direct depletion of profits.

This was concluded on their research where judgmental sampling was used to come up with a sample of 55 respondents and data was collected through questionnaires and interviews.

However, Alzeban and Gwilliam (2014) argued that risks are there in the organisation before the internal audits are carried out and so implementation or non-implementation of the recommendations may not make a difference to the audit risk. This research was carried out using a sample of 135 respondents and questionnaires were administered and face to face interviews done. Ashouf (2011) seconded that not-implementing audit recommendations saves and reduces costs thus actually increasing profits.

Brown (2013) took a neutral stance and highlighted that it is not guaranteed that profits decrease when audit recommendations are not implemented but rather this may increase risk which may result in increased possibility of reduced profits. The ideas above were derived from researches done in European countries and specifically focusing on profits. This research therefore focuses on possible significantly negative relationships that affect productivity levels at MSU.

2.3.4 Negative Relationship

Warren et al (2011) alludes that there is a negative relationship between non-adoption of suggestions and recommendations given by the IAF and financial performance as the non-implementation reduces costs thus resulting in a better cash flow position for the organisation. This conclusion was made after a census of 20 respondents was used to answer the questionnaires and interview questions. Pasula (2015) also conducted a survey using stratified sampling and a sample size of 80 respondents and also concluded that not implementing audit

recommendations results in possible outflows of funds being avoided as no costs will be incurred therefore organisations record a favorable cash flow position.

However, Hutchings (2014) argued that not implementing audit recommendations has higher costs to the organisation as it results in increased risk of fraud and error which actually result in unnecessary outflows by the organisation. Hutchings carried out the study using qualitative research and chose his sample of 50 respondents using the judgmental sampling technique.

Ibrahim et al (2014) gave a neutral view and posited that non-implementation may result in a favorable cash flow position in the short run otherwise the increase of risk will cost the organisation more on the long term. This conclusion was made in a survey where the descriptive research design was used and a sample size of 45 respondents.

There is therefore a conflict of ideologies on the relationship between the non-implementation of IAF recommendations and an organization's financial performance although most researchers concluded that there is a positive relationship. The theories above were derived from researches that concentrated on private sector companies in the manufacturing and retail industries and not on academic institutions such a MSU. The writer intends to find out the effects of non-adoption of suggestions and recommendations given by the IAF on the financial performance MSU.

Hypothesis

H1: The non-implementation of IAF recommendations and financial performance is positively and significantly related.

2.4 Establishing Most Ideal Methods of Persuading Management to Implement the Recommendations

2.4.1 Authority and Responsibility

According to Hutchings (2014) the first and core way of ensuring internal auditors are taken seriously is by giving them the authority and responsibility to carry out their duties as per their operating standards. This is supported by O'Hearn (2015) who alludes that the duty of internal auditors clearly requires them to be independent but what for them to be independent management and the audit committee should allow them to exercise their authority in the areas that concern them. The IIA Report (2013) affirms that internal auditors as employees of an organisation can only handle management pressure if they are given enough and superior authority and are reasonably independent such that their contribution is valued and recommendations timeously implemented. Warren et al (2011) and Shamsin (2011) adds that the internal auditors who are given authority by and report directly to the audit committee have a stronger urge to getting respect from management and personnel thereby ensuring the audit recommendations given are implemented.

However Ibrahim et al (2014) argues that it is not authority that makes management or staff adopt audit recommendations but their credentials and skills. Ali et al (2012) further alludes that it is the objectivity of the IAF that makes people believe in their work and feel persuaded to adopt audit recommendations. This is supported by Brown (2013) who alludes that what the internal audit team needs is management and employees who know the value of the work they do

and the value of their input otherwise without that there is nowhere management may feel the need to implement auditors recommendations.

Synergee CAs Report (2011) took a more neutral stance alluding that as much as there is the need for authority and responsibility, there is need for these to be coupled with other characteristics of the audit team that include competency and independence. This research seeks to determine if the IAF at MSU Zimbabwe has the right level of authority and responsibility and if having that can persuade management to implement the audit recommendations since the above researches were done outside Zimbabwe.

2.4.2 Regular progress checks, follow up and monitoring

According to Ali et al (2012) management have heavy workloads and so the best way to encourage and ensure audit recommendations given are implemented timeously is by carrying out progress checks and monitoring the implementation process. Organisations should devise a system of regular updates by management for instance monthly or quarterly on the progress of the adoption of the suggestions of the IAF, states O'Hearn (2015). Brown (2013) noted that when the audit team and committee follows up on management progress, management is also forced to follow up on the duties assigned to employees in executing and implementing the audit recommendations. Rehman et al (2016) also states that there is need for teamwork between auditors and management to continuously check up on the status and progress of the audit recommendations given. Management and the workforce should also know the importance of the IAF and their value to business environment and realize that auditors are not bloodhounds but there to offer assurance services.

On the other side of the coin Ibrahim et al (2014) asserts that to ensure internal audit recommendations are implemented, management must make available the necessary funding and resources otherwise follow ups without resources do not yield results. Shamsin (2011) and Bond (2011) supports this alluding that follow ups may not push management to implement the recommendations especially when management themselves do not understand the value of the auditors.

Brown (2013) took a neutral stance suggesting that to ensure that recommendations are implemented first the auditors should be given authority and operate independently the resources can be made available and follow ups made to ensure the recommendations are being implemented. The researcher also believes follow ups together with other measures can ensure audit findings are implemented and timeously. In this research the author intends to determine whether follow ups are done on internal audit recommendations given and also establish if the follow ups do persuade management to implement the recommendations on time at an academic institution such as MSU since all other researches were done on public and private business entities.

2.4.3 Establishing a vibrant Audit Committee

According to Ibrahim et al (2014) audit committees are responsible for monitoring a overseeing the duties of the IAF and also ensure that management respect and value the contributions of the internal auditors. This was supported by Ashouri et al (2015) who alluded that the audit committee also ensures the recruitment of competent audit staff and evaluates their effectiveness regularly to establish their relevance and validity to the performance of the organisation. The

author further explained that an IAF evaluated and certified as effective by the audit committee is given more authority and thereby consulted and respected by management such that any recommendations given are implemented and in the case of non-implementation management report the reasons without supervision or follow ups. Hutchings (2014) also added that a proper organisation structure highlighting the superiority of the IAF also plays a major role in confirming the role and need of adopting and implementing recommendations and ideas given by the internal audit team.

On the other hand Shamsin (2011) argues that the ability of the audit committee to persuade management to implement the audit recommendations depends on their authority overally over the IAF and over management. Hutchings (2014) and Nadon (2015) also noted that the audit committee may not be able to persuade management as long management does not know the value of the IAF and implementation of the recommendations.

Brown (2013) took a neutral stance alluding that the persuasion of the Audit committee alone does not guarantee that the audit recommendations will be implemented. The researcher intends to find out if there is an Audit committee and what strides it has taken in persuading management to implement audit recommendations.

2.4.4 Improving the quality of audit recommendations

According to Hutchings (2014) quality recommendations that are clear and workable persuade immediate implementation by management unlike poorly crafted and confusing recommendations. O’Hearn (2015) also highlights that an internal audit function’s capability to

provide useful audit findings and recommendations would help raise management's interest in its recommendations. The author further alludes that this stems from the internal auditor's level of competency, experience, independence and authority in the organization. The IIA Report (2013) asserts that quality service delivery and recommendations by the IAF attracts the interest of management, audit committee and personnel giving them more reasons and evidence to rely on auditors' advice and implement audit recommendations given.

On the other hand Shamsin (2011) argues that it may be difficult for auditors to consider enhancing the quality of their recommendations when the simplest recommendations are not even implemented. This is supported by Brown (2013) who affirms that as long as management do not understand the value of having the IAF in the first place it will always be difficult to persuade them to implement auditors' recommendations even if the quality is enhanced.

Synergy CAs (2011) took a neutral stance and postulated that as much as persuading management may work, the auditors' recommendations are best implemented by committed management who value the IAF. It is the researcher's opinion that management will value the IAF if they bring quality work to the organisation and implement their recommendations. The researcher therefore intends to investigate if enhancing the quality of audit recommendations does persuade management to implement audit recommendations at MSU.

The researcher believes the factors above are some of the many that have to be considered to ensure audits are effective and persuade management to implement audit recommendations.

2.5 Identifying the Effects of Not Implementing Internal Audit Recommendations.

2.5.1 High control risk

According to Jackson and Stent (2010) the duty of the IAF is to ensure risk is reduced by giving recommendations to management to create a strong control environment. The author further explains that, non-implementation of the audit recommendation therefore results in a weak control environment and thus increased control risk. Brown (2013) alluded that a weak control environment or high control risk means the controls of the organisation are not able to detect any misstatements that may have occurred due to error, fraud or any other reason hence the organisation losses funds and resources. Ashouri et al (2015) asserts that the responsibility of designing, creating, modifying and adopting an efficient ICS lies with management while the auditor has to make an independent evaluation of the system and bring to management's attention the possible ways of enhancing the system's effectiveness. Non-adoption of the suggestions therefore results in non-improvement of the internal controls and ultimately high control risk. This means that failure by management to implement audit recommendations that have been designed to strengthen the control environment and reduce risk will result in the increase of control risk.

On the other hand Rehman et al (2016) argues that the implementation or non-adoption of suggestions and recommendations given by the IAF may not have an impact on the control risk as the recommendations only detect the problem not add on it or reduce it. Kida and Ungba (2011) support that organizations have performed well without the IAF for years thus non-implementation may not necessarily weaken the control environment but just keep it on a constant level.

Neal et al (2014) took a neutral stance arguing that control risk may or may not increase as a result of non-implementation of internal audit recommendations. The researcher intends to find out the impact non-adoption of suggestions and recommendations given by the IAF has on the control risk of MSU.

2.5.2 High Overall Business Risk

King Code III (2009) asserted that non-implementation of audit recommendation results not only in high control risk but overall business risk. The three elements contained in risk namely control risk, audit risk and inherent risk are such that non implementation means the control environment and the auditors cannot prevent or detect misstatements, errors or fraud plus the organisation is generally susceptible to other risks inherent within the operations of the business, according to Brown (2013). The authors further allude that if IAF suggestions are not given adequate attention within the agreed time frames, it therefore means that the organization will continue to experience risks such as wasteful spending, inefficient use of resources, and violation of statutory provisions which may lead to litigation proceedings with an adverse impact to the organization. In terms of ISA 240, the risk of fraud will be high if the control system is weak to prevent and detect fraud. Pasula (2015) affirms that the non-implementation of audit risk will impact on inherent, control and audit risk thus the organization will be prone to material misstatements going unnoticed in their financial statements as a result.

Neal et al (2014) however argues that some audit recommendations for instance a change in the presentation of financial statements may not have a gross impact on the business risk. This was supported by Rehman et al (2016) who alluded that many of the audit recommendations are

simple principles being corrected thus may not lead to the increase of business risk in an organization.

Kida and Unegbu (2011) took an impartial stance suggesting that sometimes the cost of implementing audit recommendations may not match the benefits therefore thus it may not be financially feasible for a company to implement them but then again not implementing is totally ignoring the costs of conducting the audit in the first place and making them go to waste. The researcher intends to find out if non-adoption of suggestions and recommendations given by the IAF increase business risk at MSU.

In the researcher's opinion, non-implementation of audit findings undeniably results in the increase of overall business risk.

What is the relationship between non-implementation of IAF suggestions and recommendations and the financial performance of an academic institution such as MSU?

2.6 Chapter Summary

This chapter was a review of information from literature related to the impact of not implementing audit recommendations on the performance of an organization. Information pertaining to the factors affecting the implementation process and challenges faced when implementing the recommendations were some of the issues discussed. The following chapter focuses on the research methodology.

CHAPTER 3: RESEARCH METHODOLOGY

3.0 Introduction

This chapter outlines the framework and plan used for data collection on the impact of non-implementation of internal audit recommendations on the financial performance of MSU. The major areas covered in this chapter include the following; the research design, approach, sample size, sampling techniques, data collection tools and data analysis and validation.

3.1 Research Design

Rudison (2015) explains that a research design can be descriptive or experimental stating the plan on how, when and where data is to be collected, arranged and analysed. The researcher chose the descriptive design method because it gives a broader and more accurate depiction of the events related to the study and will therefore give an accurate account of events at MSU. The descriptive research design also allows the researcher to independently observe then describe events, situations or a phenomena without influencing the respondents, according to Knupfer (2013). Langen (2014) further asserted the descriptive research design method is flexible since both qualitative and quantitative data can be used and also open ended data collection techniques. This allows the researcher to not only observe a phenomenon through qualitative research but also to gather supporting statistical data, according to Creswell (2012). This research design also enabled the writer to gather data that answered the research questions and proved or confirmed the study hypothesis.

3.2 Research Approach

Researches can be carried out using the qualitative, quantitative or both approaches in gathering data according to Creswell (2012). Langen (2014) asserts that the quantitative approach measures the phenomena accurately giving the statistical or numerical extent of how the variables under study correlate. Numerical and statistical data are gathered and analysed to come up with the relationship of the variables under study and there is less concentration on the opinions of the researcher when using the quantitative approach, according to Cooper & Schindler (2014). On the other hand, qualitative analysis focuses on the description of events or situations to derive meaning and translate the data gathered from the respondents, Kothari (2014). The qualitative approach was used in this study as it was more applicable and appropriate to the qualitative evaluation and interpretation of data gathered on the investigation of the effects of non-adoption of suggestions and recommendations given by the IAF on the financial performance of MSU.

3.3 Population and Sampling

Kothari (2014) describes population as a complete set of individuals, products or events who are of interest to the researcher as they share certain observable characteristics. Zikmund (2013) highlights that it is the total of the group from which a sample is drawn. The target population for MSU was 50 employees who included top management, middle management and junior staff in the Bursar's and Audit departments. A sample of 45 employees was considered as the sample as they were accessible instead of using a census because not all of the employees could be accessed due to work and other commitments. Kumar (2011) purports that sampling is cheaper and saves time especially when the target population is too big.

3.3.1 Sample Design

The sampling of respondents to participate in the study can be done using probability or non-probability sampling, Nor et al (2011). The researcher made use of the convince probability sampling and the non- probability sampling technique judgmental sampling for the purposes of this research. Knupfer (2015) explained that the convenience sampling technique focuses on easily accessible or available and conveniently situated population at the time when data was collected. Respondents are therefore chosen at random without the use of any survey since they will be available and not busy and for this research the available Bursar's department staff in Gweru were considered to participate in the study.

Rudison (2015) states that the author also applies own wisdom to come up with a sample for the study. Bursar's department staff was mainly used as the sample since they had knowledge pertaining to the audit findings, recommendations and the implementation progress.

3.3.2 Sample Size

Knupfer (2015) defines a sample as a manageable subset drawn from the population to represent or be a reflection of the entire population. Although the sample may not represent the views of the whole population, it is chosen in such a way that an average can be deduced from the responses of the sample size, Nor et al (2011). The author added that sampling also saves time and financial resources which were some of the constraining factors to the study. The table below depicts the sample size used in the research.

Table 3.1: Sample Size

Level of authority	Population	Sample size	Interviews	Questionnaire	% of total population
Top-Management	5	5	5	-	100%
Middle-management	10	10	-	10	100%
Bursar's department staff	30	25	-	25	83%
Audit department staff	5	5	-	5	100%
Total	50	45	5	40	90%

According to Knupfer (2013) the larger the sample size the more accurate the results and a sample of 80% is more accurate and reasonable. The researcher chose a sample size of 45 respondents which is 90% as it gives a true reflection of the target population because it encompasses elements from all departments at MSU who can provide insight into the effects of non-implementation of audit recommendations. Other members were also not available to participate as they were away on business.

3.4 Data Sources

Kothari (2014) states that there are primary and secondary sources of data. Creswell (2012) explains that secondary data is data collected in the past for some other purpose while primary data is collected by a researcher specifically for that study. The researcher used primary data for

purposes of this research as it was more relevant and up to date thereby increasing the quality of data collected. Questionnaires and interviews were used to collect the data which gave realistic and true picture of the events on ground at MSU. The use of primary sources of data also allows for triangulation as the researcher can compare data collected through interviews and that collected through questionnaires thus aiding in the analysis and interpretation of data.

3.5 Data Collection Instruments

3.5.1 Questionnaires

Copper and Schindler (2014) describes a questionnaire as a series of questions asked individuals to obtain statistically useful information about a given topic. The researcher used questionnaires as the main data collection instrument for this research by virtue of their extensive nature. Zikmund (2013) highlights that for questionnaires to be useful they must contain well-thought, clear, short, properly constructed and responsibly administered questions. The author also asserted that questionnaires are a cheaper method of collecting data but will be affected by the level of honesty of the respondents.

The researcher created well-structured and precise questions for the respondents and distributed nameless questionnaires to encourage honesty. The distribution and collection of the questionnaires took time but proved to be efficient as respondents were flexible to answer the questions in their own spare time. Closed ended questions were also used in the questionnaires.

Nor et al (2011) explained that closed-ended questions require respondents to choose from a limited and predetermined list of answers. Zikmund (2013) also asserted that respondents are

only limited to the choices given for instance yes or no and true or false answers. The researcher mainly used closed-ended questions on questions using the Likert scale reviewed below.

3.5.2 Likert Scale

According to Knupfer (2013) the Likert scale as a measure of respondents attitude on a scale from strongly disagree to strongly disagree. The respondents have to indicate whether they agree or not on each and every question on the questionnaire. Below is the 5point Likert scale to be used in this study.

Table 3.2

Likert Scale

Item	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree
Points	5	4	3	2	1

Knupfer (2013)

The Likert scale presented an advantage to the researcher because it could be easily understood and responses could be easily quantified making computation, analysis and interpretation of data easy.

3.5.3 Interviews

Interviews are a verbal interchange of thoughts and opinions where the interviewer meets the interviewee in person or asks the questions via the telephone, Bell (2011). Face to face interviews were used in the study as they allowed the researcher to derive meaning from non-verbal cues of the interviewees. Creswell (2012) asserted that semi-structured questions are

normally used as a guide for the interview but open to other follow up questions. Interviews were used in this research to supplement the information already gathered through questionnaires and also ensure the researcher got clarity where necessary. Interviews are normally done with top management as they are quicker because management are very busy people and responses can be extracted at a pretty high response rate, Rudison (2015). The researcher used interviews to collect data from especially the management at MSU since it was not probable to leave them questionnaires due to their heavy schedules of business commitments.

3.6 Reliability and Validity of Instruments

According to Langen (2011) validity is the ability of research instruments to accurately measure the extent of the phenomenon they intend or purport to measure. Langen (2011) also describes reliability as the extent to which the data collection instrument chosen will produce consistent findings that can be relied upon. The researcher used questionnaires and interviews to ensure information gathered was reliable and valid. Questionnaires were structured with well-thought closed ended questions to ensure responses were limited and valid to the areas under study. Interviews on the other hand were semi structured questions which allowed management to clarify on other questions and also give the researcher concrete management information thereby ensuring reliability of the information gathered. Questions were also clear and precise to allow the researcher to gather only the relevant and accurate information for the study. The researcher also assisted management and questionnaire respondents wherever they were not sure of what was required of them so that true and valid information could gathered.

3.7 Presentation and Analysis of data

Zikmund (2013) outlines that for primary and raw data gathered to make sense there is need for proper presentation and arrangement through tables and percentiles to make interpretation easy. The researcher presented data gathered using tables and graphs and applied the mode and median to interpretation and analyse the data Knupfer (2015).

Simple regression model was used to determine the relationship between non-adoption of suggestions and recommendations given by the IAF and financial performance of MSU. STATA II was used since it is more accurate and easier to calculate and the model used was in the form

$$Y=a+bx$$

Where y = the dependent variable, which is financial performance

a = the constant

x = the independent variable, which is the non-implementation of internal audit recommendations

b = the sensitive response of financial performance

3.8 Ethical Considerations

Salaria (2012) and Langen (2011) alluded that there are various ethical considerations to be made during a research to promote truth, accurate data and minimize error. The researcher asked for permission to carry out the research from MSU authorities and assured all respondents that questionnaires would be answered anonymously to encourage the respondents to give accurate information. The respondents also participated at will and the information gathered was used for academic purposes only.

3.9 Summary

The chapter highlighted the research methods employed by the researcher that is the research design, research approach and the sample considered for the study of the effects of non-implementation of audit findings at MSU. The methods of data collection were also elaborated and how the data was to be presented and analysed by the researcher. The next chapter focuses on presentation and analysis of the data collected.

CHAPTER 4: PRESENTATION AND ANALYSIS OF DATA

4.0 Introduction

The chapter focused on presenting and arranging data gathered from interviews and questionnaires at MSU on the investigation of the effects of not adopting or implementing recommendations and suggestions given by the IAF. Tables and graphs were used for presentation and analysis of data. The mode was also used for interpreting the data gathered.

4.1 Questionnaire responses

The researcher distributed 40 questionnaires to respondents at MSU to investigate the effects of non-implementation of internal audit recommendations on financial performance and the response rate is shown in the table below.

Table 4.1 Response rate

Respondents	Sample size	Questionnaires complemented	Percentage
Middle-management	10	10	100%
Bursar's department	25	22	88%
Audit department	5	4	80%
Total	40	36	90%

Source: Primary data

Table 4.1 above shows that of the 40 questionnaires distributed and administered 36 were responded to. According to Knupfer (2013) any response rate above 50% is enough to answer the

set objectives. The 10% not responded to were respondents who had tight schedules and did not have time to answer the questionnaires. The response rate for this research was therefore 36 out of 40 total questionnaires distributed which translates to 90% thus it is reasonable and enough to answer research questions.

4.2 Presentation and analysis of data gathered

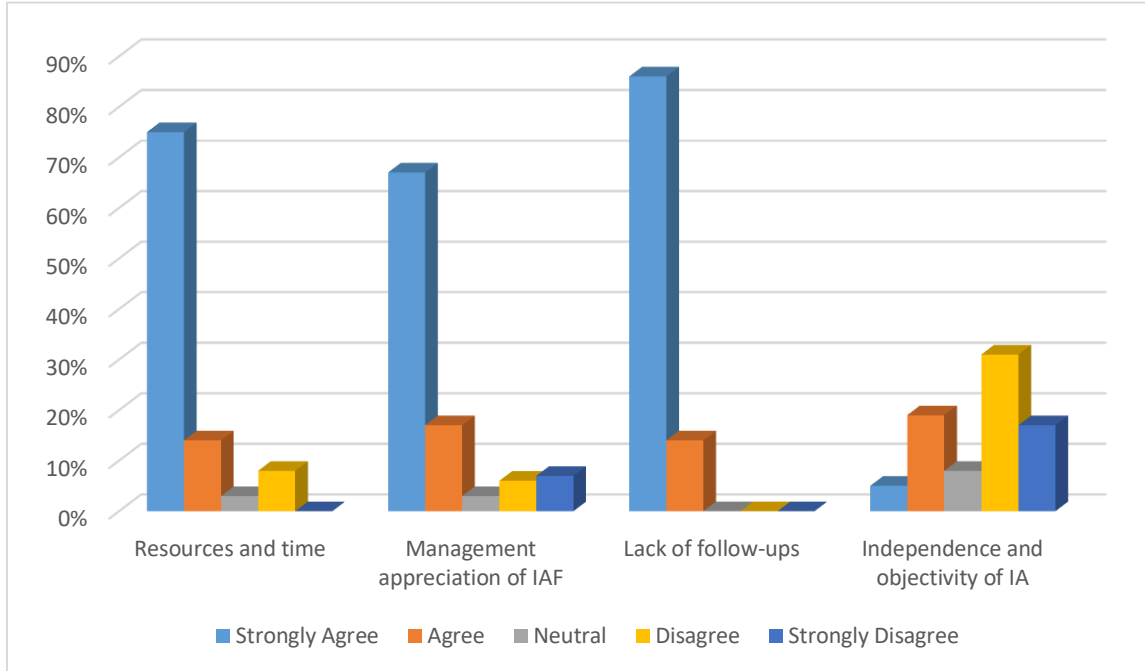
4.2.1 Factors affecting implementation of audit recommendations

Table 4.2- Factors affecting implementation

Factors	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
Availability of resources and time	27	5	1	3	0
Management appreciation of IAF	24	6	1	2	3
Lack of follow ups	31	5	0	0	0
Independence and objectivity of IA	9	7	3	11	6

Source: Primary data

Fig 4.1: Factors affecting implementation



Source: Primary data

4.2.1.1 Availability of resources and time

The figure 4.1 above shows that 27/36(75%) of the respondents strongly agreed that the availability of resources and time is one of the main factors affecting the adoption of suggestions and recommendations given by the IAF and 5/36(14%) only agreed. 1/36(3%) of the respondents were neutral while the remaining 3/36(8%) disagreed and 0 strongly agreed.

An aggregate of 32/36(89%) of the respondents agreed that the availability of resources and time affects whether recommendations will be implemented or not at MSU as the implementation process is resources and time demanding. This is in line with Neal et al (2014) who asserted that the implementation process requires funding and other resources such that unavailability implies non- implementation which has a negative impact on financial performance. An insignificant

3/36(8%) of the respondents disagreed and believed that resources or time affect the adoption of suggestions and recommendations given by the IAF as most recommendations only seek to ensure business efficiency from the already available resources. This was also in line with Masood and Lodhi (2015) who asserted that most of the audit recommendations do not need much resources and an allocation is always made in the budget towards audit requirements hence it is not a factor that will affect implementation process. The remaining 1/36(3%) were neutral meaning that the availability of resources may affect the implementation process but audit recommendations may still be implemented without much resources. This was supported by Cohen and Savag (2010) that huge funding and time may be needed in the implementation process thus will affect the implementation process.

The mode of 32 out of 36 of the respondents can be used to conclude that the availability of resources and time is an important factor that can affect the implementation or not of audit recommendations and this concurs with Masood and Loghi (2015) that resources ensure that audit processes are carried out and recommendations implemented.

4.2.1.2 Management appreciation of the IAF

The table above also shows that 24/36(67%) of the respondents strongly agreed while 6/36(17%) only agreed that the level of management appreciation of the IAF also affects the implementation of the audit recommendations. 1/36(3%) of the respondents were neutral while 2/36(6%) disagreed and the remaining 3/36(7%) strongly disagreed.

A staggering 30/36(84%) of the respondents agreed that management appreciation of IAF affects their zeal to implement audit recommendations meaning that when management understand and realize the value and input of the recommendations by the auditors they are encouraged to consider and implement them unlike when they are not appreciative of the value of the auditors. This is in line with O'Hearn (2015) who stated that management that does not understand or appreciates the essence, expertise and advice of the IAF is generally not eager to implement audit recommendations. This was contested by 5/36(13%) of the respondents who disagreed and believed that the appreciation of the auditors does not affect implementation but rather the availability of resources to carry out the implementation activities. This also concurred with Salehi et al (2011) who stated that whether management appreciate the value of the IAF does not affect implementation process but rather the availability of resources. The remaining 1/36(3%) was neutral meaning they believed appreciation of the auditors value could affect implementation but that it is not a factor that actually guarantees non-implementation. This was in line with Burnby (2011) who alluded that management appreciation may affect implementation but when follow up are done implementation becomes an obligation to management.

The mode of 30 out of 36 of the respondents can be used to conclude that the appreciation of the IAF by management determines whether audit recommendations are implemented or not as posited by Salehi et al (2011) that management appreciation of the opinion of the IAF either encourages or discourages the implementation of audit recommendations.

4.2.1.3 Lack of follow-ups

Results in table 4.2 also highlights that 31/36(86%) of the respondents strongly agreed while the remaining 5/36(14%) only agreed that lack of follow-ups affect the implementation of the IAF recommendations. No respondents were neutral or disagreed with the fact that lack of follow ups affect the implementation of audit recommendations.

A staggering 36/36(100%) agreed that the lack of follow-ups affect the implementation or not of audit recommendations as follow ups ensure progress checks and encourage accountability o the management's part on why some recommendations are not implemented. This is in line with Hutchings (2014) who alluded that management may also overlook or ignore implementing recommendations when they know there are no consequences to non-implementation without proper reasons. None of the respondents contested or were in disagreement with this as they all confirmed that it is necessary to have follow ups as that ultimately affects the adoption of suggestions and recommendations given by the IAF at MSU.

A mode of 36/36 of the respondents can be used to conclude that the conducting or not of progress checks and follow ups affect the rate of adoption of recommendations given by the IAF. This is also in line with Neal et al (2014) who stated that whether follow ups and progress checks are done or not on the adoption of suggestions and recommendations given by the IAF affects the management's eagerness to implement them.

4.2.1.4 Independence and objectivity of IA

In the figure above, 9/36(25%) of the respondents agreed that the independence and objectivity of the internal audit team also affects the adoption of suggestions and recommendations given by the IAF by management and 7/36(19%) only agreed. 3/36(8%) were neutral while 11/36(31%) disagreed and the remaining 6/36(17%) strongly disagreed.

An aggregate of 16/36(44%) agreed that the independence and objectivity of the IAF affects the implementation process and this is in line with Ashouf (2013) who asserted that when auditors lack independence there is less credibility on their work, the findings and the recommendations as well which may result in complacency of management when it comes to implementing audit recommendations. This was contested by a significant portion of 17/36(48%) of the respondents who were in line with Paape (2014) who posited that the independence of the IAF is heavily compromised by the nature of their duties but they are professionals guided by international auditing standards such that they maintain professionalism and objectivity. The remaining 3/36(8%) of the respondents were neutral and this is in line with IAF that lacks independence compromises on its value to the organisation thus their recommendations may or may not be taken seriously.

The mode of 17/36 was used to conclude that the independence or objectivity of the IAF may not necessarily affect the implementation of the audit recommendations. The IIA report (2013) supports that there will always be threats to auditors' independence thus it is not a factor that should affect whether audit recommendations are implemented or not.

4.2.2 Challenges faced in implementing audit recommendations

Table 4.3 Challenges faced

Challenges		Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
Financial constraints	f	36	0	0	0	0
	r	100%	0%	0%	0%	0%
Complex issues	f	13	9	2	5	7
	r	36%	25%	6%	14%	19%
Personnel related issues	f	7	9	4	10	6
	r	19%	25%	11%	28%	17%

Source: Primary data

4.2.2.1 Financial constraints

The table above shows that 36/36(100%) of the respondents strongly agreed that the major challenge affecting the adoption of suggestions and recommendations given by the IAF at MSU is financial constraints. None of the respondents were neutral or disagreed.

The aggregate of 36/36(100%) confirmed that finances are a real problem affecting adoption of suggestions and recommendations given by the IAF as MSU cannot afford to implement recommendation such as setting up a new department or system changes because of lack of finance. This was in line with Pasula (2015) who alluded that the major challenges or causes of delay in implementing audit recommendations is the unavailability of adequate funds to carry out

the implementation. None of the respondents disagreed meaning that they all agreed that the institution does not have enough funds to implement all recommendations given.

The mode of 36/36 can be used to conclude that financial constraints are a huge challenge to the adoption of suggestions and recommendations given by the IAF as also posited by Pasula (2015).

4.2.2.2 Complex issues

In the table above, 13/36(36%) of the respondents strongly agreed and 9/36(25%) only agreed that the complexity of audit findings and issues poses a challenge on the adoption of IAF recommendations and suggestions. 2/36(6%) of the respondents were neutral while 5/36(14%) disagreed and the remaining 7/36(19%) strongly disagreed.

An aggregate of 21/36(61%) of the respondents agreed that there are challenges in implementing audit recommendations as some of the issues are complex in nature for instance system changes or policy changes. This was in line with Warren et al (2011) who alluded that audit recommendations often involve a number of functions in the organisation such that their execution especially in large organisations will be a long and complex process. This was contested by 12/36(33%) of the respondents who argued that the IAF is there to assist and ensure recommendations are understood and correctly implemented. This is in line with Nadon (2015) who alluded that the complexity of the recommendations is not a problem the internal audit team is always there assisting in the implementation process unlike external auditors. 2/36(6%) of the respondents were neutral and this is in line with it takes time and is difficult to effect significant changes in an organisation regardless of the complexity of the issues at hand.

The mode of 21/36 can be used to conclude that the complexity of the issues may be a challenge affecting the adoption of suggestions and recommendations given by the IAF as in line with Warren et al (2011).

4.2.2.3 Personnel related issues

The table also shows that 7/36(19%) of the respondents strongly agreed and 9/36(25%) of the respondents only agreed that the other challenges faced are personnel related. 4/36(11%) of the respondents were neutral while 10/36(28%) disagreed and the remaining 6/36(17%) strongly disagreed.

The aggregate of 16/36(44%) agreed that there are personnel related problems faced when implementing audit recommendations meaning the audit team is not adequately staffed to cater for all the audit needs of MSU and at the same time the some employees in the finance and other departments are not experienced enough to deal with the adoption of suggestions and recommendations by the IAF. This is in line with Pasula (2015) who alluded that the non-availability of staff with the appropriate expertise and delays in recruitment present additional challenges that need to be met in order to ensure an efficient response to audit recommendations. This was contested heavily by 16/36(44%) other contestants who argued that personnel do not add to problems faced when implementing audit recommendations as supported by Neal et al (2014) supports that as long management is supportive to the IAF it can impose the implementation of the audit recommendations. 4/36(11%) of the respondents were neutral and this is supported by Nadon (2015) took a neutral stance alluding that for effective

implementation the workforce has to be competent but it may be better to have staff who are committed to the implementation process than competent but uncommitted staff.

The mode of 16/36 can be used to conclude that personnel issues may or may not be a challenge in implementing audit recommendations as also highlighted by Pasula (2015).

4.2.3 Relationship between the non-implementation of suggestions and recommendations given by the IAF and financial performance of MSU.

The researcher used the software package STATA II to determine the relationship between the successful adoption of suggestions and recommendations given by the IAF and financial performance of MSU. 36 observations were taken into consideration and the table below shows a narrative of the results obtained.

Table 4.4 Regression results

P	Coef	Std Err	T	P> T
EffICS	0.0853535	0.0312634	2.73	0.010
PBProc	0.129902	0.0334652	3.88	0.001
ARisk	-0.1641911	0.0370315	-4.43	0.000
Cons	0.3232611	0.2296236	1.41	0.169

Source: STATA Output

The R^2 is used to test goodness of fit and in this case the R^2 was 0.838 which means the model used to test the relationship is 83.8% fit for the test. According to Knupfer (2013) the test of

fitness is not of paramount importance but the coefficients and significance of the results that are discussed below.

4.2.3.1 Efficiency of the Internal Control Systems

The results on STATA show that there is a positive relationship between the efficiency of ICS and the revenue of MSU. This was confirmed by the coefficient of 0.0853535 that shows that an increase in the efficiency of the ICS results in an increase in revenue thus financial performance of MSU. This is in line with Paape (2014) who alluded that the more efficient the ICS of an organisation the higher the revenue and overall financial performance.

4.2.3.2 Poor business processes

The table above also shows that there is a positive relationship between poor business processes and organizational performance by the coefficient of 0.129902 This concurs with Rehman et al (2016) who posited that organisations with more refined and effective business processes produce more and get more revenue.

4.2.3.3 Audit risk

According to STATA results, higher audit risk results in poor business performance hence there is a significantly negative relationship between audit risk and financial performance of MSU. This is confirmed by the coefficient of -0.1641911 and this was in line with Gandolfi (2016) who stated that high audit risk results in fraud and loss of assets and business resources hence negatively impacts the financial performance of an organisation.

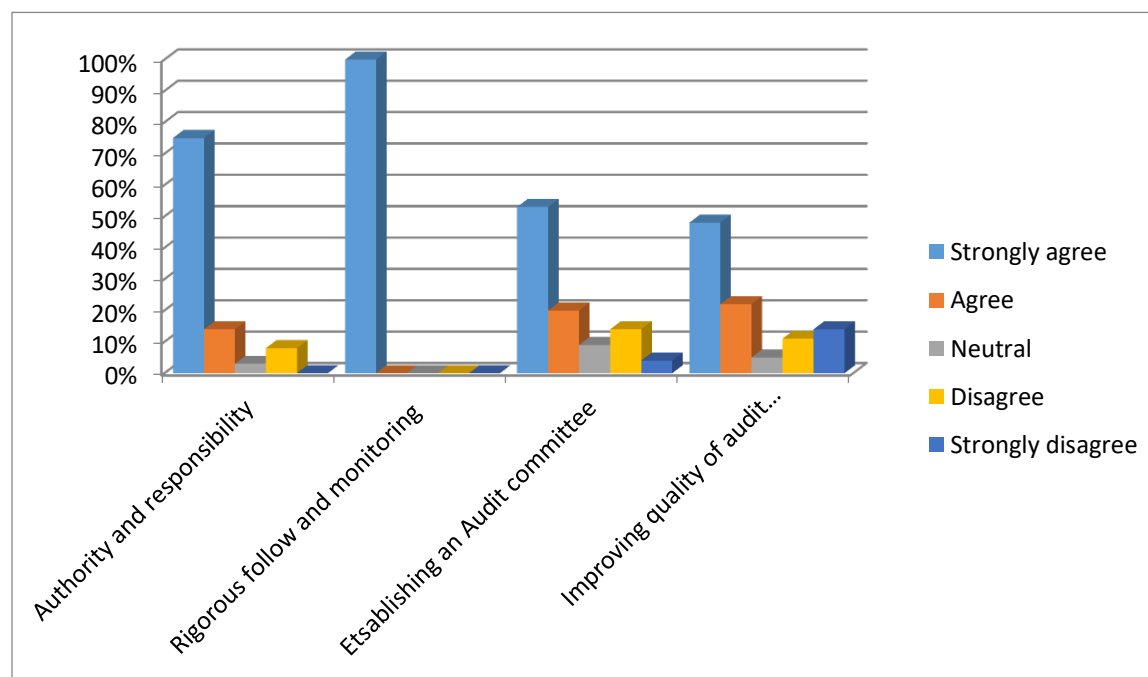
4.2.4 Most ideal methods of persuading management to implement the recommendations

Table 4.5: Ideal methods to persuade management

Ideal methods	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
Authority and responsibility	27	5	1	3	0
Rigorous follow ups and monitoring	36	0	0	0	0
Establishment of an Audit committee	19	7	3	5	2
Improving quality of audit recommendations	17	8	2	4	5

Source: Primary data

Fig 4.2 Most ideal methods to persuade management to implement the recommendations.



Source: Primary data

4.2.4.1 Authority and responsibility

As shown in the table above, 27/36(75%) of the respondents strongly agreed and 5/36(14%) that giving the auditors more authority and responsibility may persuade management to seriously consider and implement audit recommendations. 1/36(3%) of the respondents were neutral while the remaining 3/36(8%) disagreed.

An aggregate of 32/36(89%) of the respondents agreed that giving the IAF more authority and responsibility encourages and persuades management to carry out and implement recommendations given by the auditors. This is in line with the IIA report of (2013) which stated that the first and core way of ensuring internal auditors are taken seriously is by giving them the authority and responsibility to carry out their duties as per their operating standards. An insignificant proportion of 4/36(13%) of the respondents disagreed and this is in line with Ibrahim et al (2014) argues that it is not authority that makes management or staff adopt audit recommendations but their credentials and skills. 1/36(3%) of the respondents were neutral and this is in line Synergee CAs Report (2011) took a more neutral stance alluding that as much as there is the need for authority and responsibility, there is need for these to be coupled with other characteristics of the audit team that include competency and independence.

The mode of 32/36 was used to conclude that giving auditors more authority and responsibility can encourage and force management to implement the recommendations given as also stated by the IIA report of (2013).

4.2.4.2 Rigorous follow-up and monitoring

The figure above also shows that 36/36(100%) of the respondents strongly agreed that rigorous follow-up and monitoring of the adoption of suggestions and recommendations given by the IAF would encourage timeous implementation and none of the respondents disagreed.

The staggering 36/36(100%) of the respondents confirmed that following up and monitoring the adoption of suggestions and recommendations given by the IAF ensures and persuades management to implement the recommendations. This is in line with Rehman et al (2016) also states that to achieve desired goals auditors and management should work together and continuously perform progress checks and follow up on the status of the IAF suggestions given. This was not contested by any respondents as they all agreed that follow ups and monitoring are necessary to ensure effective implementation. All the respondents agreed and none disagreed or were neutral confirming that follow ups do affect implementation process at MSU. A mode of 36/36 was used to conclude that rigorous follow ups and monitoring can be used at MSU to persuade and ensure management implement audit recommendations and this is also in line with Rehman et al (2016).

4.2.4.3 Establishing and ensuring a vibrant Audit committee

It is shown in the table above that 19/36(53%) of the respondents strongly agreed and 7/36(20%) only agreed that the establishment of an audit committee ensures that management implement audit recommendations as the audit committee will oversee and monitor the process. 3/36(9%) of the respondents were neutral, 5/36(14%) disagreed and the remaining 2/36(4%) strongly disagreed.

An aggregate of 26/36(73%) agreed that an audit committee can persuade the adoption of suggestions and recommendations given by the IAF and this is in line with Hutchings (2014) also states that internal auditors report and communicate through the Audit Committee such that it is the audit committee that can persuade and ensure management implement audit recommendations. This was contested by 7/36(18%) of the respondents who disagreed and this is in line with Shamsin (2011) who argued that the ability of the audit committee to persuade management to implement the audit recommendations depends on their overall authority over the IAF and over management. 3/36(9%) of the respondents were neutral and this is supported by Brown (2013) took a neutral stance alluding that the persuasion of the Audit committee alone does not guarantee that the audit recommendations will be implemented.

The mode of 26/36 can be used to conclude that establishing an audit committee does persuade management to implement the audit recommendations and this is in line with Hutchings (2014).

4.2.4.4 Improving the quality of audit recommendations

The figure above also shows that 17/36(48%) strongly agreed and 8/36(22%) that the improvement of the quality of audit recommendations doe encourage management to implement audit recommendations. 2/36(5%) of the respondents were neutral while 4/36(11%) disagreed and the remaining 5/36(14%) strongly disagreed.

The aggregate 25/36(70%) agreed that improving the quality of the IAF and the recommendations persuade the implementation of the recommendations. This is in line with Hutchings (2014) who alluded that audit recommendations must state a clear, convincing, and

workable basis for implementation otherwise management will not be eager to implement the recommendation. This was contested by 9/36(25%) of the respondents who disagreed and this is in line with Brown (2013) who affirms that as long management do not understand the value of having the IAF in the first place it will always be difficult to persuade them to implement auditors' recommendations even if the quality is enhanced. 2/36(5%) of the respondents were neutral and this is in lie with Synergy CAs (2011) who asserted that as much as persuading management may work, the auditors recommendations are best implemented by committed management who value the IAF.

The mode of 25/36 was used to conclude that improving the quality of audit recommendations persuades the adoption of the suggestions and recommendations given by the IAF as also emphasized by Hutchings (2014).

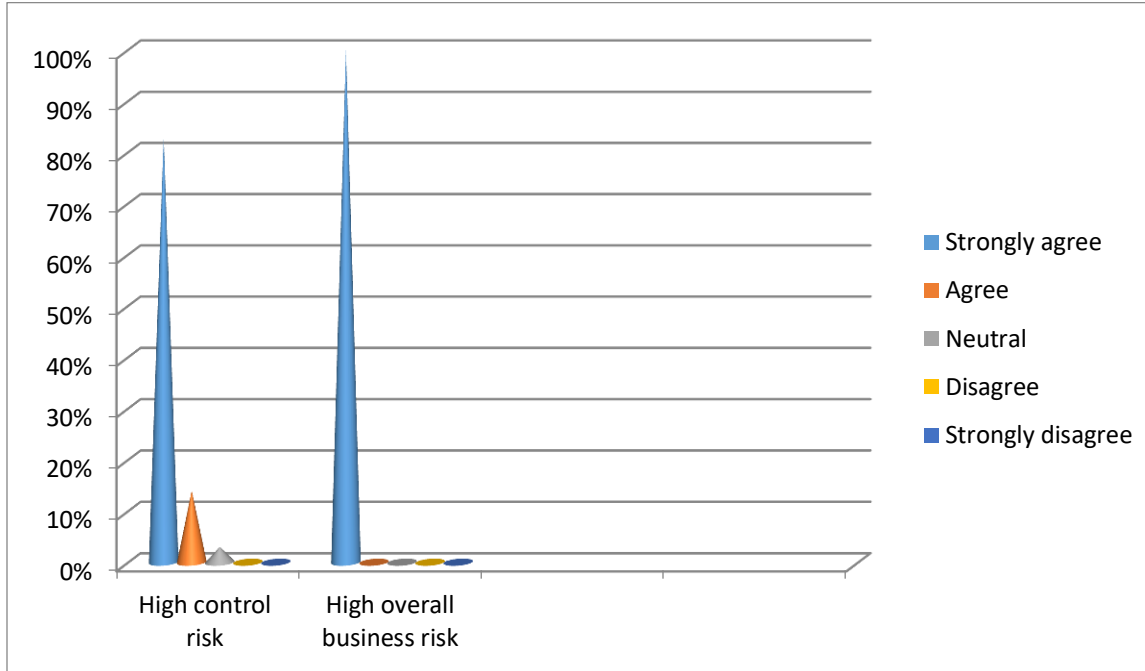
4.2.5 Effects of non-adoption of suggestions and recommendations given by the IAF

Table 4.6: Effects of non-implementation

Effects	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
High control risk	30	5	1	0	0
High overall business risk	36	0	0	0	0

Source: Primary data

Fig 4.3: Effects of non-implementation



Source: Primary data

4.2.5.1 High control risk

The figure above shows that 30/36(83%) of the respondents strongly agreed that non-implementation of audit risk results in high control risk while 5/36(14%) of the respondents only agreed, the remaining 1/36(3%) was neutral and none of the respondents strongly disagreed.

The staggering 35/36(97%) of the respondents agreed that the level of control risk of an organisation increases when audit recommendations are not implemented and this is in line with Jackson and Stent (2010) who stated that non-adoption of suggestions and recommendations given by the IAF results in a poor control system that increases the risk that misstatement will not be prevented or detected and corrected on a timely basis by the entity's internal control system. An insignificant 1/36(3%) of the respondents were neutral and this is in line with Neal et

al (2014) who argued that control risk may or may not increase as a result of non-implementation of internal audit recommendations.

The mode of 35 out of 36 of the respondents was used to conclude that non-implementation of audit recommendation results in high control risk at MSU as stated by Jackson and Stent (2010).

4.2.5.2 High overall business risk

The figure above also shows that 36/36(100%) of the respondents agreed that non adoption of suggestions and recommendations given by the IAF results in high overall business risk and no respondents disagreed.

A staggering 36/36(100%) of the respondents confirmed and seconded that non-adoption of suggestions and recommendations given by the IAF results in high overall business risk as the business inherent, control and audit risk increase when audit recommendations are not implemented. This is in line with Ashouri et al (2015) who supported that risks will remain if audit recommendations are not implemented within the agreed time frames. This was not contested as all the respondents agreed.

The mode of 36/36(100%) can be used to conclude that non-adoption of suggestions and recommendations given by the IAF results in increased business risk for MSU as also posited by Paape (2014).

4.3 Interview responses

4.3.1 What are the factors affecting adoption of suggestions and recommendations given by the IAF at MSU?

The Deputy Bursar agreed that the major factor affecting the adoption of suggestions and recommendations given by the IAF is the lack of resources for the implementation process. This agreed with the mode of 32 out of 36(97%) of the questionnaire responses who agreed that the institution does not have enough resources and time to ensure all audit recommendations are implemented and on time. The staggering majority clearly confirmed that MSU is constrained in resources and finance to implement all audit recommendations given this was supported by Stewart and Subramaniam (2010) who alluded that the lack of resources causes the non-adoption of suggestions and recommendations given by the IAF as some of the recommendations require huge financing and time.

The Audit manager highlighted that although resources and time largely affect the implementation process, the appreciation of the audit function by management and the rest of the organisation was also another factor that could affect the eagerness of management to implement audit recommendations at MSU. This concurred with the mode of 30/36(84%) of the questionnaire responses who believed that the lack of appreciation towards the IAF and their value to MSU to management and the employees also affects the implementation process. This was in line with O'Hearn (2015) who stated the appreciation of the IAF's contribution and effects of implementing their recommendations affects the implementation process.

The Administration manager added that the lack of follow ups on the progress by management implementing the audit recommendations is a major reason why they may be reluctant to implement the audit recommendations plus that there are no consequences to non-implementation. This agreed with the mode of 36/36(100%) of the questionnaire respondents who believed that the fact that there are no follow ups on the implementation progress and accountability on why other audit recommendations are no implemented is a major factor affecting the implementation progress. This was in line with Lodhi (2015) who alluded that when the auditors or audit committee do not follow up to see whether the recommendations are implemented or not thus management relax and tend to ignore the process.

The other factor indicated by the Human resources manager that can affect the implementation process is the independence and objectivity of the IAF. The manager explained that the independence and objectivity of internal auditors encourages management to implement the audit recommendations as there is a reasonable level of professionalism between the auditors and personnel. This agreed with the mode of 17/36(48%) who asserted that the independence and objectivity affects the willingness of management to implement the audit recommendations. This was in line with Alim et al (2011) who asserted that the value of the IAF is derived from their independency and objectivity.

In conclusion, the majority of the management interviewed agreed that resources and time and lack of follow ups are the major factors affecting the implementation of audit recommendations. This agreed with the mode of 36 out of 36 of the questionnaire respondents who believed lack of progress follow ups affects and determines the implementation rate at MSU and this was in line

with Ashouf (2013) who stated that the availability of resources and rate of follow ups on the progress of the adoption of IAF recommendations affect and determine the rate and effectiveness thereon.

4.3.2 What are the challenges faced in implementing audit recommendations?

The Deputy Bursar stated that the major challenge faced in the actual implementation process was financial constraints as some of the audit recommendations such as recruiting more employees or setting up a new department require huge funding. This agreed with the mode of 36/36(100%) of the questionnaire responses who agreed that MSU is constrained financially to carry out and implement some of the audit recommendations given as they include costly processes such as hiring experts and optimization of businesses processes. This is in line with the sentiments by Pasula (2015) who posited that audit recommendations may be costly to carry out as they include the overhaul and perfection of present business processes and systems.

The Audit manager also added that there are also challenges that are personnel related as the MSU audit team is short staffed and also the experience and expertise of the general workforce also affects the effectiveness of the implementation process as they are involved. This concurred with the only 16/36 (44%) of the respondents who agreed that e audit team is short staffed to carry out the duties at hand and that other employees may not be experienced enough to participate in the implementation process. The significant mode of 17/36 (47%) of the questionnaire respondents however disagreed alluding that it is not the general workforce that is not experienced to implement audit recommendations about only the shortage of internal audit personnel to drive the implementation process. The view by the majority of the respondents

concurrent with Bond (2011) who asserted that general staff is never the problem when it comes to the adoption of suggestions and recommendations given by the IAF as staff always follow their leadership otherwise it is only management who can influence the implementation or otherwise of audit recommendations.

The Administration manager also asserted that other problem faced is that other audit recommendations are complex and require experts and consultants to see them through hence the reluctance of management to pursue the implementation of such recommendations. This was in line with the mode of 21/36(61%) of the respondents who agreed and also concurs with Hajah and Rafiee (2011) who highlighted that implementation is most difficult when new systems are to be adopted or policies are to be changed hence it can take years for the organisation to fully implement the recommendations.

All the interviewees agreed that MSU is financially constrained and does have personnel related issues discouraging the implementations of the audit recommendations as the audit team is short staffed and also that other employees are not experienced in the issues that are addressed in the audit recommendations. This is in line with Nadon (2015) who stated that finances shortages is the major challenge in implementing audit recommendations and that other recommendations may be complex and need system or process changes which takes time to approve and implement at MSU.

4.3.3 What are the most ideal methods of persuading management to implement audit recommendations?

The Administration manager agreed that rigorous follow ups and monitoring is the best method to encourage management to implement all recommendations. This was agreed by the mode of 36/36(100%) by the questionnaire respondents and is in line with Brown (2013) who noted that regular follow up exercises remind and encourage management to implement audit recommendations plus the audit committee can also be made aware of the reasons why recommendations are not being implemented and provide solutions.

The Deputy Bursar also added that more involvement of the audit committee also assists in persuading management together with giving the auditors more responsibility and authority. This agreed with the mode of 26/36(73%) of the respondents the audit committee needs to be more vibrant and ensure there are progress checks and follow ups. This concurred with Brown (2013) who alluded that it is the duty of the audit committee and audit function to oversee and ensure that recommendations are aggressively pursued until they have been resolved and successfully implemented.

It was the Human resources manager's view that there is also need for improvement on the quality and clarity of audit recommendations given by the IAF so that management and the Finance team find it easy to interpret them and thereby implement them. This agreed with the mode of 25/36(70%) of the respondents who believed that ensuring that a vibrant audit committee is set encourages complete and effective implementation of audit recommendations. This concurred with Hutchings (2014) who posited that the clarity of the lines of reporting

ensures the independency and objectivity of the IAF and also that the Audit committee can assist in persuading management to adopt and implement the recommendations.

The Operations and Audit manager agreed that there is also need to ensure management is given enough authority and responsibility to pursue and follow up on the progress of the implementation process. The mode of 32 out of 36(97%) of the questionnaire respondents who agreed and concurred with the sentiments by Hutchings (2014) that the first and core way of ensuring internal auditors are taken seriously is by giving them the authority and responsibility to carry out their duties as per their operating standards.

The majority of the interviewees were in agreement that rigorous follow ups and establishing a vibrant audit committee ensures that auditors recommendations are implemented and timeously. This concurred with the mode of 36 out of 36 of the respondents who believed that rigorous monitoring and follow up encourage timeous implementation of audit recommendations.

4.3.4 What are the effects of non-implementation of audit recommendations?

The Deputy Bursar posited that non-adoption of suggestions and recommendations given by the IAF results in the increase of the institution's control risk as the measures to ensure a strong and vibrant control environment given by the auditors are not implemented. This was in line with the mode of 35/36(97%) of the questionnaire respondents who believed that the control environment is weakened when audit recommendations are not implemented and concurred with Ashouri et al (2015) that the responsibility of the auditor is to make an independent evaluation of the

effectiveness of the internal control system and give recommendations of improving the internal control system to the attention of management.

The Administration manager and Operations manager both posited that the major function of the IAF is to reduce the risk for the institution thus non-implementation results in the rise of the overall business risk and the business loses resources, financially and its integrity in the sector. This was in line with 36/36(100%) of the questionnaire respondents who agreed that overall business risks increases when audit recommendations are not implemented and the control environment is weak. This concurred with Ashouri et al (2015) who posited that if audit recommendations are not given adequate attention within the agreed time frames, it therefore means that the organization will continue to experience risks such as wasteful spending, inefficient use of resources and violation of statutory provisions which may lead to litigation proceedings with an adverse impact to the organization.

The Audit manager asserted that non-adoption of suggestions and recommendations given by the IAF results in high control risk and ultimately high overall business risk as the control environment is left with loopholes for possible fraud and other activities that are of risk to the performance of the institution and its integrity. This agreed with the mode of 100% from questionnaire responses and the sentiments by Kida and Unegbu (2011) that affirmed that the non-adoption of suggestions and recommendations given by the IAF will impact on inherent, control and audit risk thus the organization will be prone to material misstatements going unnoticed in their financial statements as a result.

All the interviewees agreed that not implementing IAF suggestions and recommendations results in high business risks and this was in line with the mode of 36 out of 36 of the questionnaire respondents who also believed the same. This also concurred with Pasula (2015) who affirmed that the non-adoption of suggestions and recommendations given by the IAF will impact on inherent, control and audit risk thus the organization will be prone to material misstatements going unnoticed in their financial statements as a result and lose resources through fraud and other activities.

4.4 Chapter Summary

The chapter focused on presenting the data gathered at MSU through questionnaires and face to face interviews and the arranging, analysis and interpretation of the data. The measure of central tendency used in interpreting the data was the mode. The following chapter gives the chapter summaries, findings and recommendations.

CHAPTER 5: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

The final chapter briefly describes the research giving summaries and the findings made on the research. The researcher also states a conclusion from the findings and gives recommendations on how MSU can effectively implement IAF recommendations to ensure improved financial performance of the institution.

5.1 Chapter Summaries

The first chapter introduced the aim of the research which was to investigate the impact of non-implementation of internal audit recommendations on the financial performance of MSU. The research focused on determining the reasons and factors why the audit recommendations are not implemented which include the availability of resources and frequency of follow ups. The problems faced during implementation were also discussed for instance the complexity of other audit recommendations and personnel related issues. The researcher also discussed the problems that result from non-adoption of suggestions and recommendations given by the IAF such as increased control risk that ultimately leads to reduction in profits. The study was limited to MSU Gweru and covered the period from 2013 to 2016.

Literature on the effects of non-implementation of IAF recommendations was analysed and reviewed in chapter two. The basic theories asserted by Abdullah (2014) was that the effectiveness of the IAF and the adoption of suggestions and recommendations given by the IAF are determined by the availability of resources and time and the experience and expertise of

management. Rehman et al (2016) alluded that non-implementation of audit recommendation result in increased business risk and poor financial performance of organisations while Kida and Unegu (2011) argued that implementing audit recommendations is costly.

The chapter concentrated on and explained the research methodology chosen for the purpose of the research which was the descriptive research design and also explained the research approach used which was the qualitative approach. The target population and sample size of 45 respondents were also determined and justified together with the judgmental sampling technique used in coming up with the sample. The writer also identified methods of collecting primary data used that is interviews and questionnaires and how the data collected is to be arranged, analysed and interpreted using table and the mode.

The chapter 4 focused on the presentation and arrangement of data using tables, graphs and pie charts. Data was also analysed and interpreted using measures of central tendency specifically the mode. Findings from interviews were also described and interpreted on the effects of non-adoption of suggestions and recommendations given by the IAF at MSU.

5.2 Research findings

5.2.1 Factors affecting adoption of suggestions and recommendations given by the IAF

The researcher found that the major factor affecting the adoption of suggestions and recommendations given by the IAF at MSU is the availability of resources and time and the lack of follow ups. A staggering 100% of the respondents confirmed that the lack of follow ups was the major factor followed by the lack of resources and time which 89% of the responses

supported. This was in line with the sentiments by the Deputy Bursar who alluded that the institution does not have enough resources channeled towards adoption of suggestions and recommendations given by the IAF and also manpower to supervise and follow up on the progress of the implementation process. The respondents and interviewees also agreed that management appreciation of the IAF and the independence and objectivity of the IA are other factors that affect the implementation of audit recommendations.

5.2.2 Challenges faced in implementing audit recommendations

Management interviewed and 100% of the questionnaire respondents agreed that the major problem encountered in implementing audit recommendations was financial constraints. The respondents also stated that personnel related and complex issues were the other problems hindering the implementation. This was supported by the Administration manager who stated that the audit team is short staffed and so are the employees in the finance department such that implementing the recommendations difficult.

5.2.3 Relationship between non-implementation of suggestions and recommendations given by the IAF and financial performance

The researcher found that there is a positive relationship between the non-adoption of suggestions and recommendations given by the IAF and the financial performance of MSU. This was concluded using the STATA software which showed that as the efficiency of the ICS at MSU increases so does the revenue and also as businesses processes improve so does the revenue of the institutions. The researcher also found that audit risk however has a negative relationship with the financial performance of MSU but there is an overall positive relationship

between non-adoption of suggestions and recommendations given by the IAF and financial performance.

5.2.4 Ideal methods of persuading management to implement recommendations

The researcher found that rigorous follow ups and giving the auditors authority and responsibility are the major ways of persuading and ensuring management implement audit recommendations. This was supported by 100% of the respondents who highlighted that follow ups were effective and 89% supported that giving more authority and responsibility to the IAF would result in the improvement of the rate of implementation. The Administration manager also highlighted that establishing a vibrant audit committee and improving the quality and clarity of audit recommendations would also encourage and persuade management to implement audit recommendations.

5.2.5 Effects of no implementation of audit recommendations

The researcher also discovered that the effects of non-adoption of suggestions and recommendations given by the IAF is high control risk and high overall business risk. This was supported by 100% of the respondents who stated that overall business risks increase because non-adoption of suggestions and recommendations given by the IAF result in a weak control environment and also increases inherent risk. 97% of the respondents also confirmed that control risk becomes high when audit recommendations are not implemented. The Audit manager concurred with this and asserted that the audit team gives recommendations to reduce business risks and so non-implementation results in high audit risk.

5.3 Recommendations

The researcher came up with the following recommendations for the findings explained above:

- i. The management at MSU is encouraged to adequately budget for the adoption of suggestions and recommendations given by the IAF and get the IAF's input on the most efficient and cost effective ways of implementing the audit recommendations given to ensure 100% and timely implementation.
- ii. MSU is also encouraged to form a vibrant Audit committee to oversee the interaction between management and the IAF and also create a team that will report to the audit committee who make regular follow ups on the progress of the implementation of audit recommendation.
- iii. Management is encouraged to seriously consider recommendations given and implement them to ensure that audit risk is reduced and better financial performance for MSU and management should also be made to account for recommendations not implemented without good reasons.
- iv. MSU should also consider hiring enough people to man the Audit department. The people to be hired should be skilled, knowledgeable professionals who can give quality recommendations and can also stay independent and objective in performing their duties at MSU. There should also be programs for staff training and continuous development to ensure employees are aware of the value of the IAF and their contribution to the performance of MSU and also that employees are knowledgeable about their areas of work or duties enough to understand recommendations given.

5.4 Conclusion

The successful and timeous adoption of suggestions and recommendations given by the IAF reduces risks and results in better financial performance of institutions. However institutions may be constrained financially and in resources to ensure implementation of the recommendations. Auditor independence and objectivity and management appreciation of the audit function also affect the process of implementing audit recommendations. The findings made in the study suggested that having a vibrant audit committee, rigorous follow ups and giving auditors more authority and responsibility may help encourage management to implement audit recommendations and to do so timeously.

5.5 Suggestions for further research

This study focused on the effects on non-adoption of suggestions and recommendations given by the IAF on the financial performance of MSU, but did not find out the costs of operating the IAF. The researcher therefore suggests that further research be done on the cost of having the IAF and the effects of the costs on the financial performance of organisations.

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APPENDIX B:

QUESTIONNAIRE TO MANAGEMENT AND STAFF

1) Factors affecting the implementation of audit recommendations.

	Agree	Strongly Agree	Disagree	Strongly disagree	Neutral
Availability of resources and time					
Management appreciation of the IAF					
Lack of follow ups					
Independence and objectivity of internal auditors					

2) Challenges faced in implementing audit recommendations.

	Agree	Strongly Agree	Disagree	Strongly disagree	Neutral
Financial constraints					
Complex issues					
Personnel related issues					

3) In your opinion, non-implementation of audit recommendations results in the following:

	Agree	Strongly agree	Disagree	Strongly disagree	Neutral
Reduced effectiveness of internal control system					
Poor business processes					

Increased audit risk					
Reduced costs					

4) Non-implementation can affect financial performance through:

	Agree	Strongly agree	Disagree	Strongly disagree	Neutral
Reducing revenue & profits					
Unfavorable cash flow position					
Increased ROI					

4) Most ideal methods to persuade management to implement the recommendations

	Agree	Strongly agree	Disagree	Strongly disagree	Neutral
Giving auditors authority and responsibility					
Rigorous follow up and monitoring					
Establishing an Audit Committee					
Improving the quality of audit recommendations.					

5) Effects of non-implementation of internal audit recommendations

	Agree	Strongly agree	Disagree	Strongly disagree	Neutral
High control risk					
High overall business risk					

Any other comments

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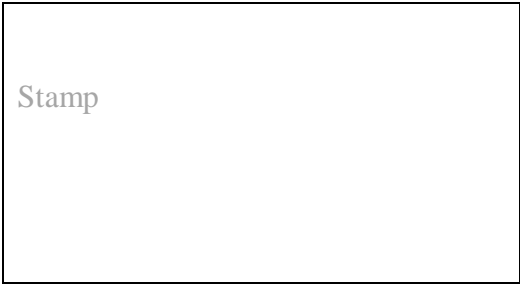
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The end..... THANK YOU



APPENDIX C

INTERVIEW GUIDE

Questions:

1. What factors are affecting the implementation of internal audit recommendations at MSU?
2. What are the challenges faced in implementing audit recommendations at the institution?
3. What have been the effects of not implementing internal audit recommendations?
4. What may be the most ideal methods that can be used to persuade timely implementation?

Thank You For your co-operation

. reg rev effics pbproc arisk

Source	SS	df	MS	
Model	7.03912069	3	2.34637356	Number of obs = 35
Residual	1.36087931	31	.043899332	F(3, 31) = 53.45
Total	8.4	34	.247058824	Prob > F = 0.0000
				R-squared = 0.8380
				Adj R-squared = 0.8223
				Root MSE = .20952

rev	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
effics	.0853535	.0312634	2.73	0.010	.0215915	.1491156
pbproc	.129902	.0334652	3.88	0.001	.0616492	.1981547
arisk	-.1641911	.0370315	-4.43	0.000	-.2397174	-.0886649
_cons	.3232611	.2296236	1.41	0.169	-.1450593	.7915815