



FACULTY OF COMMERCE

**AN INVESTIGATION OF RISK MANAGEMENT BY THE INTERNAL AUDIT
FUNCTION: 'A CASE OF CITY OF MUTARE'**

By

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DEDICATIONS

This research project is lovingly dedicated to my family, may the lord bless you.

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ABSTRACT

The research investigated risk management by the internal audit function-a case of Mutare City Council. A descriptive research was used while questionnaires and interviews research instruments were mainly used. The research has a sample size of twenty respondents. Graphs and tables were used for data presentation and the results were analyzed using measures of central tendency and hermeneutical analysis. The results show that the risk management policy does not exist at Mutare City Council. The staff that is responsible for the implementation of the risk management policy (directors, internal audit and finance) is not adequately trained for the implementation. A risk committee and a position of the chief risk officer do not exist at Mutare City Council. Based on findings, recommendations were made to the Mutare City Council. The recommendations include the creation of a risk committee and a position for the chief risk officer among others.

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LIST OF ACRONYMS

MCC-Mutare City Council

RM- Risk Management

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CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter explicitly covers the research background, statement of the problem, research questions, and objectives of the study, assumptions, delimitation, summary and limitations of the study.

1.1 Background of the study

Risk management is the process of identification, analysis and either acceptance or mitigation of uncertainty in decision-making. Basically, risk management occurs anytime managers analyzes and attempts to quantify the potential for losses in an investment and then takes the appropriate action (or inaction) given their investment objectives and risk tolerance. Inadequate risk management can result in severe consequences for companies for instance recession, Griffiths (2006).

Amid 2011 to 2014, the Zimbabwean media has been flooded with reports of operational, business and financial risks in Local Authorities (LA). The internal audit function seemed not mitigating these risks (default, financial statement and employee risks). This action raised questions on the implementation of the risk management policy.

According to www.herald.co.zw (06/08/2014, 2049 hrs), Harare City Council (HCC) failed to remit \$6 million to the Harare Municipal Medical Aid Society (HMMAS) for two years despite having them deducted from their salaries every month. Harare City Council was exposed to the risk of lawsuits from its employees. www.business.vic.gov.au (20/08/14, 1452hrs) defines the risk of lawsuit as; “An action brought before a court, so as to redress a grievance”.

In the Standard (20 May 2012), the Local Authority Pension Fund (LAPF) regional contributions officer highlighted that, “subscriber local authorities were not remitting the pensions they would have collected from their staff, and thus making it difficult for them to pay out pensions.” This action exposes local authorities to commercial risk. “Commercial risks as the name suggests are of commercial relationships, such as failed contractual relationships.” IIA (2008, p.25)

According to the Acting Chief Internal Auditor, no formal approach was developed for risk management (risk naive). As a result there was no risk management framework in place. This resulted in failure by MCC to identify and alleviate risk. For example the failure to implement council resolutions on employees on acting positions audit committee minutes (2013:29). This exposes MCC to the risk of the breakdown of Council or staff relationships (employee risk).

According to the management letter from Urban Development Corporation (UDCORP), dated 22 February 2011, management of Mutare City Council highlighted that, cutoff dates for the closure of financial records after year end were absent and financial information for 2009 was still being posted in 2013. In addition, there was also the absence of a proper fixed asset register (financial statement risk). Puttick van esch (2009:25) describes financial statement risk as “inherent in external and internal audit activities. It refers to the prospect that auditors may fail to detect significant errors in an accounting report following a comprehensive review”. This exposes the council’s assets to the risk of theft and misappropriation.

Furthermore, an audit committee minute (2013) asserts that, MCC faced financial challenges such that it owed its employees’ salaries of 6 months plus December 2012 bonuses (employee risk). Rosen and Zenios (2003) assert that, employee risk is when key employees are unable to work at significant or extended time or an industry strike action”.

Mutare City Council’s tendering process has also been questioned. An audit committee minute (2013), asserts that, council awarded a tender for the supply of water pipes to Shitazburg Investments (Private) Limited and made a down payment of US\$330 000. The organization later turned out to be a counterfeit company and Mutare City Council never recovered its money (operational risk). www.business.vic.gov.au (20/08/1: 1658 hrs) defines Operational risk as risks resulting from failure of internal business and control procedures.

1.2 Statement of the problem

Local Authorities seemed not identifying and mitigating risks such as employee risk and financial statement risk. Mutare City Council (MCC) also, is no exception to these risks. They seemed encroaching into the internal audit function. This has prompted the research to be undertaken.

1.3 Main research question

An investigation of risk management by the internal audit function-a case of Mutare City Council

1.4 Sub research questions

- 1) What is the Council's risk management policy?
- 2) What implementation guidelines are in place?
- 3) What personnel capabilities are in place to implement policy?
- 4) What challenges are being faced in risk management?
- 5) What controls are in place over policy implementation?
- 6) What best practice may be adopted by council in risk management?

1.5 Objectives of the study

- 1) To ascertain Council's risk management policy.
- 2) To determine the implementation guidelines in place.
- 3) To establish personnel capabilities are in place to implement policy.
- 4) To establish the challenges being faced in risk management
- 5) To determine the existence of controls in policy implementation.
- 6) To establish the best practice that may be adopted in risk management.

1.6 Significance of the study

To the researcher

The research is in partial fulfillment of the Bachelor of Commerce (Honors) degree in Accounting at Midlands State University. It would also improve knowledge and skills of the industry that the researcher will venture in.

To Midlands State University

The study will provide literature for use by other researchers

To City of Mutare

The research will provide recommendations for adoption by Local authorities.

1.7 Assumptions of the study

Responses from the respondents would be true to the best of their knowledge.

No change of regulation within the Local Authorities over the research period.

1.8 Delimitations of the study

The research was conducted and limited to Mutare City Council

The research covered a period of four years from 2011 to 2014.

1.9 Limitations of the study

Financial constraints

Shortage of financial resources was a limiting factor since costs such as printing and travelling expenses had to be met. This constraint was mitigated by obtaining information through e-mails instead of travelling regularly.

Time constraints

There was limited time to gather enough data to obtain the required level of assurance since the researcher had to travel to and from Mutare City Council. To overcome this problem, the researcher worked beyond reasonable hours to come up with a creditable research.

Confidentiality

Respondents were unwilling to give information that was considered confidential. The researcher gave an assurance that findings were for academic purposes only and would be held in confidence.

1.10 Definition of terms

Risk- the effect of uncertainty (either positive or negative) on business objectives

Risk Management - is a process that should seek to eliminate, reduce and control risks, enhance benefits, and avoid detriments from speculative exposures.

1.11 Summary

This chapter covered the research background, statement of the problem, research questions and objectives, significance of the study, assumptions, delimitation, and limitations of the study. Chapter two is on literature review.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter covers the risk management process, risk measurement, challenges being faced in risk management, controls in place over policy implementation and personnel capabilities in implementing risk management. This chapter also further outlines, risk management models in BRICS countries, the best practice that may be adopted in achieving risk management, link between internal audit function and risk management and summary.

2.1 Theoretical background on risk management

De Beelde (2010) argued that, risk management and internal controls, were regarded as essential rudiments of organisational success. KPMG's empirical research (2009) concluded that, respondents in excess of 59 percent of the seven European countries believed that, their system of risk management and internal control add value to their organisation. As a result, risk management is being perceived as a means of linking business strategy, to day-to-day risks and then optimising those risks in order to realise value. Additionally, the internal audit function should appraise and contribute to the improvement of risk management and internal controls, Institute of Internal Auditors (2011). More recently, PricewaterhouseCoopers' Annual Survey (2013) revealed that effective risk management is not being achieved without hitches and management was still struggling with their implementation.

Risk management has developed from a narrow, insurance based view to an all risk encompassing view, normally expressed as enterprise risk management Kanhai (2014). According to Aluntas et al (2011) risk management is a procedure that attempts to reduce the probability of negative earnings and cash-flows by offsetting risks across the enterprise.

The Australian/New Zealand standard for risk management ISO 31000:2009 noted that, risk management involves managing to achieve a suitable balance between realizing opportunities for

gains while minimizing losses. It is an integral part of good management practice. Risk Management is an iterative process consisting of steps that, when undertaken in sequence, enable continuous improvement in decision-making and facilitate improvement in performance. “This is generally achieved by taking a holistic approach to risk management, which reduces the chance that a firm will experience multiple negative events in its operations simultaneously” Li (2014:2). Although the concept of risk is frequently expressed in terms of negative impacts, this Standard is concerned with risk as exposure to potential deviations from what is planned. The process explained here applies to the management of both potential gains and potential losses. Organizations that manage risk efficiently are likely to accomplish their objectives.

2.1.1 COSO risk management definition

Committee of Sponsoring Organizations of the Treadway Commission in the USA define risk management as follows Committee of Sponsoring Organizations, (2004:6) Risk Management is a process, influenced by an entities board of directors, management and other staff, applied in strategy setting, and designed to identify possible events that may influence the entity. Personnel manage risk to be within its risk appetite, to give sensible assurance concerning the attainment of entity’s objectives.

2.1.2 The European Foundation for Quality Management (2005) is somewhat less wordy. They describe risk management as: The logical use of organization-wide processes to discover, weigh up, manage, and to keep an eye on risks – such that comprehensive information can be used to protect, discharge and generate value.

2.2 Risk

AS/NZL ISO 31000:2009 defines risk as, an indecisive event that if it occurs, has positive or negative effect upon objectives such as cost, time and quality. Lubka (2009) also noted that, risk is an inherent part of business life and is the likelihood that an event will occur and unfavorably affect the accomplishment of objectives.

2.2.1 Operational risk

Mainelli(2002, p.27) argues that, “Operational risk has many sub-categories, such as people (e.g. workforce disruption, fraud), process (e.g. documentation risk, settlement failure), systems (e.g. failure, security) and external risks (disasters, infrastructure utilities failures).”

In addition Nakada, (2000) also argues that, “*Operational risk* arises from one-time losses due to events such as fraud and systems failure. Thus operational risk does not just cover ‘operations’ such as processing and IT, and that to form part of an effective risk management framework must cover legal and other people-related risks.”

Operational risk is defined by the Basel Committee on Banking Supervision, (2003) as “the risk of loss resulting from inadequate or ineffective internal processes, people, and systems or from external events.” includes legal risk but excluding strategic and reputational risk. This is the widely used definition of operational risk.

2.2.2 Financial Statement Risks

Marquis C (2014) defines; financial statement risk as, “inherent in both external and internal audit activities. It refers to the possibility that auditors may fail to detect significant errors in an accounting report following an in-depth review. A financial statement risk results from five management assertions namely presentation and disclosure, existence or occurrence, rights and obligations, completeness and valuation or allocation.”

2.2.3 Employee risk

“Employees also pose risks because of the possibility that they can take clients and customer business with them when they leave, and can even create competing businesses more easily in the information age with lower barriers to entry due to the availability of new enabling technology.” Eric G. Olson, (2005, p.51)

Techniques have developed tremendously to manage risk from employees, which have benefited both employer and employee. This includes compensation packages that vary pay proportions have been formulated to retain top performers during decline cycles. Many firms have gathered and responded to employee feedback.

2.3 Risk management process according to ISO 31000:2009

AS/NZL ISO 31000:2009 reported that “The core of the risk management process incorporates the five steps of an operational risk management process. The steps are, identifying risks, analyzing risk treatment options, selecting the best response, implementing risk mitigation and controls and monitor results as necessary. In the ISO model, they are central to the process of

managing both individual and portfolios of risks. The new ISO model includes the elements of ‘establishing the context’ and continuous ‘communication and consultation’.” Additionally, the ISO Standard identifies two major functions that should happen continually throughout the RM process namely: 1) Communication and Consultation and 2) Monitoring and Review.

Establishing the context of the RM process will differ according to the structure and the needs of the organization. It will include activities like setting goals and objectives for risk management, and defining the duties, scope, deepness and extensiveness of the process. It also includes a detailed analysis of all stakeholders, environment and trends that have an impact on the objectives of the organization.

Risk assessment is the overall process of risk identification, analysis and evaluation. **Identifying risk** includes understanding the sources of risk, areas of impact, their bases and possible consequences. The goal is to create a wide-ranging list of risks, including risks that may be associated with missed prospects and risks out of the direct control of the organization. Fig 2.1 explicitly demonstrates that, risk identification is the first process of risk management. A comprehensive review allows a full deliberation of possible effects of risk upon the organization.

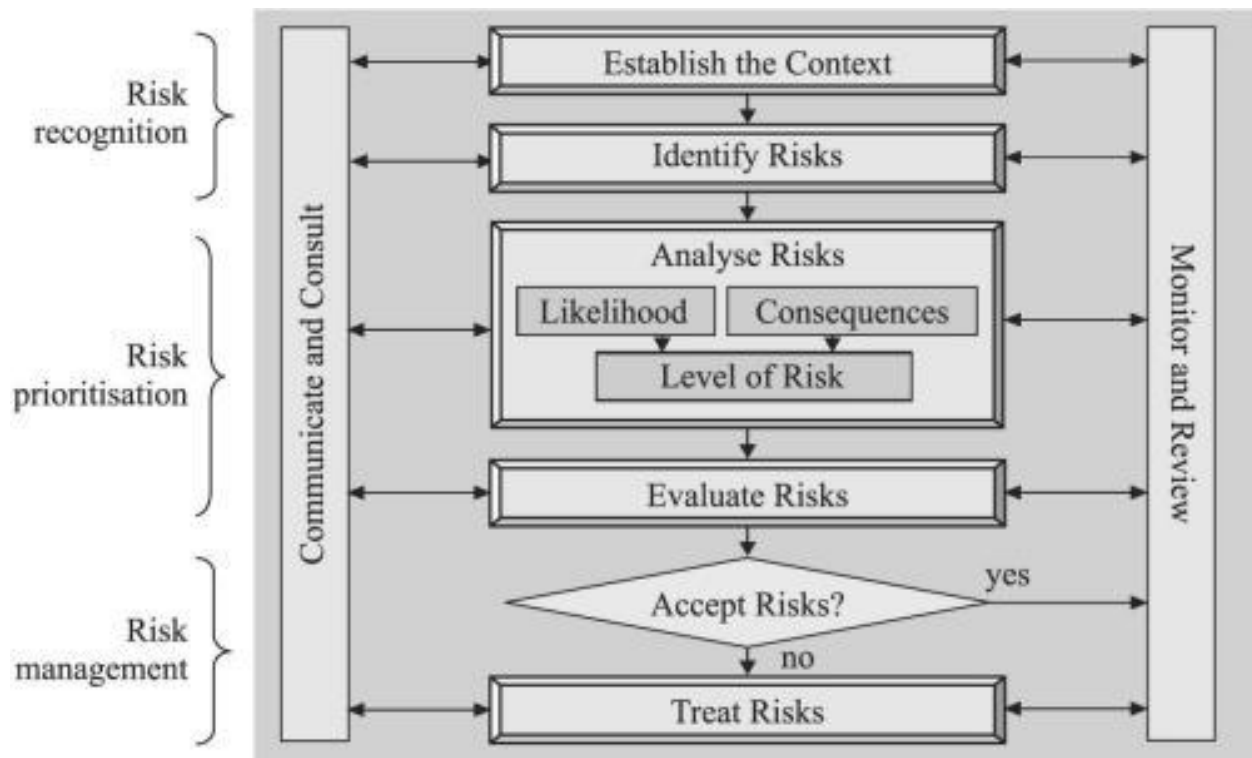
The purpose of **analyzing risk** is to understand everything possible about risks, including the causes and sources, consequences and likelihood of occurrence. Existing controls and their effectiveness and efficiency are also taken into account.

The purpose of **risk evaluation** is to review the analysis and lenience of risks in order to prioritize and choose suitable risk treatment methods. An organization’s legal and regulatory environment and its internal and external context will also be considered at this stage. The evaluation process helps organizations make relevant decisions about treatment of risks.

Risk treatment involves selecting options for modifying risks and implementing those options. It is a cyclical process that assesses a risk treatment, determines whether the residual risk is at a tolerable level and assessing the efficiency of treatments.

Communication and consultation should include both internal and external stakeholders. RM cannot succeed if it does not consult with and engage stakeholders in the process. This major function of communication and consultation in RM is clearly demonstrated in fig 2.1 below.

Monitoring and review is critical to the process because it assures that controls are effective, lessons are learned, risks will be appropriately addressed and the organization will be resilient and ready for change. The function of monitoring and review is explicitly illustrated in fig 2.1 below



Source: ISO 31000 Risk Management Standards 2009.

Fig 2.1: risk management process according to ISO 31000:2009

2.4 Risk measurement

First identifies the risk factors that arise in operation of business and in the environment. Some risks are connected to the core activities of the firm and some to the facilitating activities (peripheral exposures) for instance actuarial risk is core to the insurer while credit risk is peripheral exposure in managing the insurer's asset portfolio. Risk measurement analyzes how these separate risks interact at business level and how they influence business performance.

Risk measure plays an important role in RM. Recently; value at risk has become a very popular risk measure as well. Hao and yung (2011) asserts that, value at risk is an attempt to summarize

the total risk of a portfolio by a single number. Additionally, hao and yung (2011) noted that, value-at-risk is difficult to implement if the portfolio contains derivatives. They suggested an unquestionable approach to the structuring of risk measures. Hao and yung (201, p.10121) further suggested a set of four desirable properties for risk measures, “namely translation invariance, positive homogeneity, monotonicity and sub additives.” Thus a risk measure satisfying the four enviable properties is called a coherent risk measure.

Value at Risk is a technique that estimates possible loss that may occur on risk positions as a result of future uncertainties in market over a specified time period and to a given level of arithmetic confidence. In its day to day monitoring, a business uses a period and a **99% confidence level**. www.nationwide.co.uk (09/08/14 1310hrs)

2.5 Controls in policy implementation.

Control Activities

Control activities are the actions established through policies and procedures that help ensure that management's directives to mitigate risks to the achievement of objectives are carried out. Control activities are performed at all levels of the entity, at various stages within business processes, and over the technology environment. “They may be preventive or detective in nature and may encompass a range of manual and automated activities such as authorizations and approvals, verifications, reconciliations, and business performance reviews”, IIA (2012:10).

Committee on Sponsoring Organizations of the Treadway Commission (COSO) (2014:3) Control activities are the policies and procedures that help ensure management directives are carried out and that necessary actions are taken to address risks to achievement of the entity's objectives. Control activities occur throughout the organization, at all levels and in all functions. They include a range of activities as diverse as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties.

Financial Reporting

Adequate controls play a pivotal role in risk management. “good internal controls mean controls specifically designed to address risks related to financial reporting. Internal controls over financial reporting consist of the controls that are designed to provide reasonable assurance that the company’s financial statements are reliable and prepared in accordance with GAAP.

Inaccuracies in a financial statement may occur, for example, due to mathematical errors, the misapplication of GAAP, or intentional misstatements (fraud). A system of internal controls should address these possibilities. The risk of fraudulent financial reporting is a key consideration in the design and operation of public company internal controls. For example, market expectations for revenues, or other targets may create pressures on management to meet these thresholds. “Effective ICFR helps assure that corporate records are not purposefully misstated in response to those pressures. Controls should therefore be designed and implemented with the risk of fraud in mind and tailored to the particular circumstances of the company.”
COSO (2014:2)

Monitoring Activities Internal control systems

Internal control systems need to be monitored by a process that assesses the quality of the system’s performance over time. This is accomplished through ongoing monitoring activities and separate evaluations. Monitoring activities occurs in the course of operations. It includes regular management and supervisory activities.

COSO (2014:4) argues that, “financial reporting requires complicated decision-making and the application of informed judgment. For example, accounting areas such as estimating allowances for credit losses, valuing securities, and determining whether intangible assets are impaired require management to make judgments regarding such things as the use of assumptions and the likelihood of future events.” In these kinds of reporting areas, there is typically a range of acceptable outcomes, rather than a single “accurate” result.

Controls cannot remove the need for judgment or eliminate the variations in reporting inherent in situations in which a range of acceptable judgments is possible. Controls can, however, be designed and implemented to address the process by which accounting judgments are made and

thereby, help provide reasonable assurance that the financial statements are presented in accordance with GAAP.

Financial reporting often requires sophisticated decision-making and the application of informed judgment. For example, accounting areas such as estimating allowances for loan losses, valuing illiquid securities, and determining whether intangible assets are impaired require management to make judgments regarding such things as the use of assumptions and the likelihood of future events. In these kinds of reporting areas, there is typically a range of acceptable outcomes, rather than a single “correct” result.

Controls can be designed and implemented to address the process by which accounting judgments are made and thereby, help give reasonable assurance that the financial statements are presented in accordance with GAAP.

Manual versus Automated Controls

Chanda (2014:5) stipulates that “A control environment is made up of both manual and automated controls. Manual controls are affected by, and rely on, people and are typically independent of IT processes. By nature they are prone to being overridden, by-passed or ignored. Automated controls, on the other hand, rely on technology to identify, prevent or correct errors, variations or risks. They are considered more reliable and robust as they cannot be overridden, ignored or by-passed.”

2.6 Personnel capabilities in implementing risk management

Management

Section 302 of the Sarbanes Oxley Act requires management to be capable of evaluating and reporting on the efficiency of disclosure controls and procedures with respect to the annual reports. It also stipulates that management must be capable of reviewing the report, consider that the report does not contain untrue statements or omit material facts, and the financial statements and other financial information are fairly presented.

The Sarbanes Oxley Act also requires management to be capable of, developing and maintaining disclosure controls, assessing the efficiency of the company's disclosure controls, documenting and evaluating the design and operation of its internal controls.

Chief risk officer (CRO)

Basel II Accord asserts that, the chief risk officer should be capable of implementing the entire aspects of the risk function, including implementation processes and systems to identify, measure, and report risks. Additionally, the CRO can assist in identifying and assessing business risks and must implement the security program's risk and control framework. They can also manage the process for developing risk policies and risk limits Basel II Accord (2004).

Internal Auditors

Recent studies by the institute of internal auditors (2011) identified that the capability of internal auditors in mitigating strategic risks of an organization is very small. Strategic risks tend to be more difficult to recognize and evaluate. Internal audit capabilities have been discussed in reports issued by the Institute of internal Auditors in 2011. The roundtable members worked out a series of recommended actions internal auditors are capable of, to help their organizations. This include, identifying best practices in risk management, coordinating risk management activities. Moreover it was stipulated that internal auditors should be capable of identifying and evaluating risks, reviewing key risk areas and giving assurance on the risk management processes

2.7 Challenges faced in implementing risk management

Lack of commitment from business leaders

Shehu and Akintoye (2009, p.27) "Risk management can only be successfully designed and implemented in any organization if there is commitment from the business leaders." The top down management approach can be viewed in the form of commitment and an appropriate organizational policy that is acknowledged by every member of staff in the organization, and management review.

The involvement of top management is essential. Lack of commitment and interest among business leaders can let other activities to take precedence that is not good to the organization. Hence, Shehu and Akintoye (2009) believe that, a lack of commitment among business leaders is a major stumbling block to the successful exercise of risk management.

Financial constraints and lack of relevant training

Reiss (2009) highlights that putting together a risk management environment is not an inexpensive affair, while Choi et al (2008) explains that, proper costs of risk management comprises costs such as costs of resources and risk exposure, which is only noticeable at certain stage of the business. Thus financial constraints to sustain risk management can be a major stumbling block to its practice.

Choi et al (2008) argues that risk management requires complex structures with high level of co-ordination and synergy among the cross-functional processes with many stakeholders of conflicting interest. Risk management may only succeed if its risk management members have the relevant skills and competency for the role. Hence this research observes that, lack of relevant training can therefore be a major challenge in carrying out of risk management.

Lack of cross-functional communication

Shehu and Akintoye (2009, p.28) describes effective communication as, “the exchange of meaningful information between groups of people with the aim of influencing actions and is central to any change process.” Risk management is no different; it is aimed at exchanging timely and useful information with the stakeholders. Thus, lack of cross-functional communication is a major challenge in implementing risk management.

2.8 The Link between Internal Audit Function and Risk Management

According to Griffiths (2006: p10); “managers own risks and it is their duty to control them. Internal auditing provides an opinion to management, so as to whether risks are properly controlled”

The IIA (2011) standards 2110 and 2120 explain the role of the internal audit function in risk management

2110 -The internal audit activity should assist the organization by identifying and evaluating considerable exposures to risk and assists the improvement of risk management and control systems.

2110. A1- The internal audit activity should monitor and evaluate the effectiveness of the Organization's risk management system.

2110. C1 -During consulting engagements, internal auditors should address risk consistent with the engagement's objectives and be alert to the existence of other significant risks.

2110. C2- Internal auditors should incorporate knowledge of risks gained from consulting engagements into the process of identifying and evaluating significant risk exposures of the organization.

2120 – Control

The internal audit activity should assist the organization in maintaining effective controls by evaluating their effectiveness and by promoting continuous improvement.

2120. A1- Based on the results of the risk assessment, the internal audit activity should evaluate the adequacy and effectiveness of controls encompassing operations and information systems. This should include: Reliability and integrity of financial information, efficiency of operations, safeguarding of assets, and compliance with laws, regulations, and contracts.

2120. A2- Internal auditors should ascertain the extent to which operating and program goals and objectives have been established and conform to those of the organization.

2120. A3- Internal auditors should review operations and programs to ascertain the extent to which results are consistent with established goals and objectives to determine whether operations and programs are being implemented or performed as intended.

COSO (2014, p.112) argued that, "In many companies, internal auditors play a key role in the ongoing functioning of risk management by providing objective monitoring of its application and effectiveness." Thus internal auditors may conduct examinations for the purpose of providing an objective assessment of the entire risk management process. In this role, internal auditors may

support management by providing assurance on the risk management processes, effectiveness of risk responses, and the efficiency of control activities.

Internal auditing function sometimes acts in a consulting role, where they serve to facilitate improvement in the organization's risk management process. In this capacity, internal auditors may, among other activities, promote development of a common understanding of risk management, recommend management on risk management concepts, facilitate risk-based induction, and provide techniques to help managers analyze risks and design control activities.

2.9.1 Best practice to achieve sound risk management

CDC Unified Process for risk management (2009, p.6) explicitly recommended the following best practices for risk management namely:

Identify risk early: identify risks as early as possible. Delphi technique, root cause analysis, flow charting, cause and effect diagramming and brainstorming are among the techniques that can be used in risk identification. After risk identification, document these risks and communicate their consequence to stakeholders.

Identify continuously: continually identify and reassess risk. When latest risk is identified, communicate updates as needed.

Analyse: assess the potential impact of identified risk. Reiterate the analysis process throughout the project life cycle, makes updates, and communicates changes as needed.

Reprioritize: as risks are continually assessed, reprioritize activities.

Define and plan: define risk thresholds and triggers, alleviation strategies and contingency plans. The greater the probability of occurrence, the more detailed this information should be.

Communicate: communicate regularly regarding risk status and changes in the level of overall risk. Solicit feedback from team members and stakeholders regarding known risk and the prospects of unknown risks. Store the management log in a location

Update: update the risk management log on a regular basis

Educate: educate entire team and stakeholders on risk management and encourage them to timely identify, communicate and alleviate risk.

2.9.2 Good practices in the enterprise risk management

Culture and risk awareness

Ching and Colombo (2014, p.3) culture and risk awareness is of unquestionable importance to the diffusion of information across the organization. Green and Jennings-Mares (2008) study states that, the most important element in the risk management is the growth of a risk culture coherent and consistent. Ching and Colombo's study shows that, the existence of a common language and awareness enables sharing the good practices across the organizations in risk management.

Risk permeate the whole company

The risk management function has evolved to become a core area of business practice, driven by the board but embedded at every level of the organization. The aim is no longer simply to avoid losses, but to enhance reputation and yield a competitive advantage and share the view that, despite risk management responsibility starts right at the top of the organization, the managers of all levels of organization should also participate to improve the process.

Need of a formal risk management framework

Ching and Colombo study revealed that in first world countries only 68% of their companies implemented fully or partially risk management. Furthermore, 59% of them said having implemented or planning to implement COSO framework. Ching concluded that the use of a risk management formal framework contributes significantly to its efficiency.

A dedicated (CRO) Chief Risk Officer in a senior position

The presence of a chief risk officer is the most common practice among all. Its reason is debated by many authors. Ching's study shows that 62% of first world companies surveyed mention the influence of chief risk officer as a key factor for driving and facilitating the risk management process. The appointment of a chief risk officer is a sign of a formal risk management program.

The Chief risk officers' quality and expertise promote risk management importance for all the executives and influence the whole company. Chief risk officers are already in place at 40% of those organizations represented in the EU survey.

Creation of a risk committee

For Ching(2014), the good practice in risk management is the creation of a multi-disciplinary risk committee which can be located at the top of the risk management function. Whether risk should be centralized order depends on the organizational structure of the company.

Independence between the Board and CEO

Companies with independent board and segregation between CEO and the chairman present the highest level of risk management Claim that an independent board is more objective to comply with the management actions and strategies than companies that do not possess this independence

2.9.3Risk management models in BRICS countries

Brazil

According to www45.bb.com(01/09/14: 2147hrs) Risk management model at Banco do Brasil extensively evolved in the 20th century. Management activities were done through explicit, specific model structures in accordance with the objectives, policies, strategies and processes described in each of those risks.

In Russia, the development of the risk management model was treated as a process that is iterative and evolutionary www45.bb.com (01/09/14 2147 hrs). Since risks often shift, it was imperative to revisit the risk management process, integrate new information, and reassess the alternatives based on changed situations. Moreover, with the surfacing of new risks in Russia, the previous risk management model could discard.

Russia

After the successful winding up of World War two and the burgeoning of Russia's economy, enterprises in Russia began to understand the value of managing risk www.pwc.com (09 /05/14 :0957hrs). PricewaterhouseCoopers's survey (2009) revealed that, enterprises began zeroing in on managing certain financial assets and activities. Moreover, as the global economy escalated grip, it became apparent that there were several risks to consider and actively manage. This is how the risk management model in Russia evolved. Comptroller General of Russia issued its seminal 2000-2016 Risk Bulletin on Model risk Validation and a significant set of supervisory guidance was co-issued by Federal Reserve in June 2012.

According to PricewaterhouseCoopers's empirical study (2014), the risk management model in Russia extensively considered industry best practices and made them into regulatory expectations. Additionally, to drive more uniformity in business model validation practices, the comptroller general provided more comprehensive and regulatory guidance in each and every one area of model validation testing. Thus it includes, process verification, constant monitoring, soundness and outcomes evaluation.

India

According to www.pwc.com (09 /02/14: 1325hrs) PricewaterhouseCoopers issued a data management survey of 358 companies in Brazil, India and China in 2009. In their survey, it was concluded that in India, forward-thinking industries were practically embedding complex risk management models within integrated applications that drive assessments of product pricing.

The survey also envisaged the implementation of a more holistic model risk management program with vital roles and responsibilities assigned to the lines of communication. According to www.pwc.com (09 /02/14: 1308hrs), as the concept of a well-controlled model development or use may seem obvious, the reality was that many industries did not have a formal, documented

control process around model development and implementation that one would expect. What this means was that, industries needed a more formality into the model development.

China

As a result of the past market shocks, a risk bulletin on model risk management programs was issued li etal (2014). The risk bulletin provided guidance on examining personnel, and prudent model risk management policies, practices and standards. It also surfaced certain issues on how to plan for market shocks and the impact of these shocks on businesses.

In China, model risk management programmes are now common place li etal (2014). Risk management techniques were replaced by refined, but largely used analytics that make traditional quantitative techniques more transparent and available to decision makers. Traditional techniques are made transparent by combining the quantitative techniques with a logical decision model framework that is optimized for exposures li etal (2014).

In China, each risk area at first was managed independently, in silos. Nevertheless, it soon became apparent that by adopting a holistic view of their overall risk exposures, companies could benefit by ensuring that, risks were not being over or under managed li etal (2014). Thus, the concept of model risk management was born. Model risk management improved the executive's ability to make better decisions that precisely reflected the true nature of risks in the business environment.

2.10 Summary

Basically, this chapter has covered challenges being faced in RM process, preview of controls in RM policy implementation, controls in place over policy implementation. Additionally, this chapter also outlined personnel capabilities in implementing RM, RM models in BRICS countries, the best practice that may be adopted in achieving risk management and the link between internal audit function and risk management. Chapter three is on research methodology.

Chapter three

Research methodology

3.0 Introduction

The aim of this chapter is to outline the research design, sampling techniques, target population, research instruments, and finally data collection and analysis used in this study. This chapter will include the justification of the research methodology used to carry out the research and finally the summary.

3.1 Research design

According to Luck and Ronald (2009) a research design is the heart of setting up a survey, that is the blueprint of an empirical research. Additionally, if the research design sticks to the research objectives, it will ensure accomplishment of the researcher's need, Saunders (2007). Research design is the plan, structure and stratagem of the study conceived, so as to obtain responses to research questions, Kerlinger (2009). Briefly, a research design is a plan of action that shows how all major parts of the study came together.

3.1.1 Descriptive research design

Solomon (2011:27) stipulated that "Descriptive research is concerned with the description of data and characteristics about a population." The goal of a descriptive research is the attainment of realistic, accurate and logical data that can be used in statistical scheming. Descriptive studies seldom involve experimentation and observation, Kerlinger (2009). Thus, descriptive research goes further in examining a problem, as it is undertaken to determine and describe the features of the relevant issues.

"Descriptive research exploits both qualitative and quantitative research methodologies during a study. Typical methods of descriptive research include case studies, observational project and research survey." Solomon (2011:27) Descriptive research involves gathering data that describe events and then organizes, tabulates, depicts, and describes the data collection Glass and Hopkins (2008: 20). Generally, as the name implies, descriptive research methods are used when the researcher wants to describe specific behavior as it occurs in the environment.

3.1.2 Explanatory research

Saunders et al (2003: 213) identified an exploratory survey as. "A valuable way of discovering what is happening, seeking new insights, to ask questions and assessing a phenomena" Exploratory research is a

sort of a study that is carried out when the area of investigation is first-hand and so ambiguous that a researcher needs to do an analysis just to learn about the dilemma or problem being faced.

Disadvantages of descriptive research design

The descriptive approach consumes a lot of time and cannot identify cause and effect relationship. Descriptive research is also subjective and rigid; questions made by the researchers are predetermined and prescriptive while studies may contain errors.

Justification for Descriptive research design

The aforementioned research method was found appropriate in this project because of its extensive use of both primary and secondary data. Since the researcher had no control over variables involved, a descriptive design was relevant as it reported on what was happening.

Descriptive research is very flexible, you select the method depending on what you expect to find rather than selecting the method and then studying. Descriptive research enabled the use various data collection methods. The design also proved fruitful way of explaining existing theory that the writer employed. The existing theory was found in journals, municipal publications and the internet.

Merits of an explanatory research

An explanatory research can be extremely beneficial in guiding future research techniques. It is flexible since it can address research questions of all types. Additionally, an explanatory research will significantly raise the effectiveness of a study's findings. Neuman (2000:510) content that an explanatory study is viable for a research problem that has not been studied and the researcher wants to develop initial ideas and a focused research. Similarly, it is also very helpful in figuring out the best approach to achieve a researcher's objectives, www.universalteacher.com (21/09/14: 2153hrs)

Demerits of an explanatory research design

An explanatory research rarely offers definite answers to the study questions. Moreover, conclusions cannot be drawn from it, because of its lack of statistical strength. www.universalteacher.com (21/09/14, 2103hrs)

3.2 Research population

According to Saunders et al (2000) population is the full set of data from which a sample is taken. A population is a full set of units from which the sample is to be selected, Bryman (2003). Target population is the population of interest to the researcher and represents the number of people suitable to take part in the research. The researcher's target population consists of management and accounts and internal audit staff of MCC.

3.3 Sample size

Saunders (2007) defines a sample size as a matter of judgment rather than calculation. The larger the sample sizes, the lower the likely error in generalizing of the population. The sample size of the research consists of 20 respondents and population size consist 40 respondents. The sample size of 20/40 (50%) is satisfactory and can thus be relied upon. The population and sample size is summarized on the table below.

Table 3.1 Population and Sample size

| Respondents | Population | Sample | % of sample |
|-------------------------------------|------------|--------|-------------|
| Management | 8 | 4 | 50% |
| Accounting and internal audit staff | 32 | 16 | 50% |
| Total | 40 | 20 | 50% |

Source: data sources

3.4 sampling methods

3.4.1 Judgemental sampling

According to Wagner (2003) judgmental sampling is a non-probability sampling technique based on opinion. The technique that was used by the researcher was judgmental sampling. Participants who were viewed as the best sources of information were chosen.

3.4.2 Stratified sampling

Stratified sampling is a widely used probability method that is superior to random sampling because it reduces sampling error. A stratum is a subset of the population that shares at least one common

characteristic. The researcher first identifies the relevant strata and their actual representation in the population, www.bms.co.in (09/10/14: 2101hrs). Random sampling is then used to select subjects from each stratum until the number of subjects in that stratum is proportional to its frequency in the population. Stratified sampling is often used when one or more of the strata in the population have a low incidence relative to the other strata.

Data obtained is accurate since a subset of the population that shares at least one common characteristic represents the population.

Stratified sampling may be disadvantageous in the sense that it excludes relevant data and is relatively difficult to explain.

Justification for using judgemental sampling

The approach is well understood and has been refined by experience over many years. Judgmental sampling assisted the researcher to choose a sample that provided the data needed to answer research objectives. Judgmental sampling is simple since no special knowledge of statistics is required.

3.5 Types of data collected

3.5.1 Primary data

Primary data is information collected for the first time. McCarthy (2002) defined primary data as data that is not organized, planned or analyzed by any statistical method; it is captured for the first time for a specific use. This is data that is collected by the researcher himself, and not by a third party. Staff and management, who are knowledgeable, were the sources of primary information. This information was collected through questionnaires and in depth interviews.

Advantages of primary data

Primary data can be collected from a number of research instruments like in questionnaires, in depth interviews and telephone surveys. Additionally, it can also be collected across the national borders through emails and posts, Saunders (2007). Primary data is current and it can better give a realistic view to the researcher about the research under consideration. Data interpretation is better, information collected data

can be examined and interpreted by the researcher depending on their needs rather than relying on the interpretation of secondary data.

Disadvantages of primary data

In primary data, some respondents do not give appropriate and timely responses. Sometimes, the respondents may give false and socially acceptable responses. Collecting data using primary research is a pricey scheme as the researcher has to be involved throughout and has to design everything. Excluding cost and time, other resources like human resources and stationery too, are needed in larger quantities to do surveys and data collection, Saunders (2007).

3.5.2 Secondary data

Secondary data means, data that is already available, thus it refers to the data, which have already been collected and analyzed by someone else. Secondary data is obtained in the form of published or unpublished data. Basically, published data is available in various publications of the local government, journals, books, municipal reports and reports prepared by various scholars' universities in a different field, Saunders (2007). Secondary data was used by the researcher to validate primary data.

Merits of secondary data

Secondary data saves resources for instance time, ghauri and gronhough (2002). Generally, it is less expensive to use secondary data than to collect data for yourself. The researcher was able to analyse larger data sets and was able to think about hypothetical and substantive issues, as data was already collected. Subsequently, the reseacher was able to spend more time and effort analysing and interpreting the data. The researcher was able to make primary data collection more definite and pertinent to his study.

Disadvantages of secondary data

The usefulness of secondary data declines gradually as the period goes on. As a result, the researcher found out that, the use of such data was irrelevant for research purpose since it was outdated, ghauri and gronhough (2002). It was rather difficult for the researcher to find dependability of published data since it rarely fitted into the framework of the research problem under investigation, Saunders (2007) Such data are

not exactly as per the need of research project undertaken. The researcher also observed that it was not ideal to take publications at their face value without knowing their sense and constraints.

3.6 Research instruments

The researcher used both primary and secondary data. In an attempt to solicit for this study, the researcher employed Interviews and questionnaires techniques.

3.6.1 Interviews

Personal interviews

It consists of a two-way conversation initiated by the interviewer for obtaining information on specific issues. Personal interviewing is a purposeful conversation between the interviewer and respondent for specific purpose, ghauri and gronhough (2002). The backbone of personal interview is the questionnaire prepared for a specific survey.

Merits of personal interviews

Closer interaction between the respondent and the interviewer enabled the interviewer to bring flexibility in data collection process, ghauri and gronhough (2002). Consequently, questions could be attuned as per the need of the situation. In personal interviews, the researcher got better co-operation from the respondent due to face-to-face communication.

Personal interview is usually of a longer period. Thus, the rationale of the study could be explained and detailed questions could be asked thereafter. The information collected is also reliable as it is first hand information, Saunders (2007) Even the interviewer can note the family information such as education and age of the respondent, through personal observation during the course of personal interview.

In personal interviews, the data gathered is usually detailed and reliable as the respondent has enough time to supply the necessary information. It is possible to seek clarifications on any grey areas. In a personal interview, the researcher had an opportunity to observe respondents' non-verbal responses in form of gestures and facial expressions, Kwesu (2002). This method was ideal method as it provided maximum

possible information from the respondents. As a result, personal interviewing retains its long held dominance across a wide spectrum of surveys.

Demerits of personal interviews

A personal interview is costly, particularly when widespread geographical sample is taken. The researcher had to incur to travelling expenses to execute personal interviews. Certain respondents such as important top officials cannot be approachable under this method, Bryman (2003).

It was time-consuming since the researcher had a fairly large sample. The response from the respondent largely depends on the interest and initiative of the interviewer and the manner in which the interview is being conducted by the interviewer, Kwesu (2002) Sometimes the presence of the interview can over-stimulate the respondent and they may give imaginary answers to make the interview interesting, Saunders (2007)

3.6.2 Questionnaire Design

A questionnaire is a format containing questions sequentially ordered to obtain data relevant to research objectives, Gupta (2008).A questionnaire is a manuscript used to collect data through structured or semi structured questions Clifford (1997).The researcher used both open and closed questions.

Reasons why Questionnaires is the main research tool

The use of questionnaires was used to complement qualitative and quantitative data from interviews. The use of both open ended questions and closed question was aimed at encouraging respondents to reveal as much as possible. This provides an opportunity for the respondents to express their views freely by giving reasons for certain responses requiring clarification from respondents. Lastly, a questionnaire enabled the researcher to guide respondents along lines of thought with regard to the investigation. Taking the aforesaid into cognizance, questionnaires become an influential research tool, Saunders (2007).

Demerits of Questionnaires

Questionnaires are subject to bias due to no-response from respondents. Thus, the intention of the survey may go down the drain. Additionally, questionnaires may require respondents to provide data on areas that they are not comfortable with, thereby leading to unrepresentative findings from data analysis.

Furthermore, gestures, body movement and facial expressions were absent in questionnaires, ghauri and gronhough (2002)

Remedies to alleviate the above demerits

The research questions were clear, conscious and precise. In cases where the respondents fail to complete questionnaires, they treated as spoilt and were not considered for further deliberation. The researcher also made use of the Likert scale to measure the attitude of respondents

3.6.3 Types of questions

Closed questions

Closed questions are useful for vividly, bring out information, Kumar (2005). Closed questions ask the respondents to choose, among a possible set of answers, the answer that closely represents respondents' view point. The respondents are usually asked to tick or circle the chosen answer.

Merits

A closed question is quick and flexible since it restricts respondents to a finite set of responses,thus, responses are manageable, Saunders (2007).

Demerits

Saunders (2007) argues that a closed question can introduce bias, either by forcing respondents to choose between alternative, or by offering alternatives that would have otherwise come to mind. Additionally, bias may also arise where there is a tendency to tick the most socially acceptable response. Lastly, closed questions destroys creativity in some respondents

Open ended questions

According to Remenyi (2009) open ended questions are typically used in a survey where the researcher is not in a position or is not willing to pre-specify the response categories. According to Saunders (2003) open ended questions are useful for seeking opinions and perceptions. These types of questions promote critical thinking and increase the respondent's participation; responses are recorded in full by the interviewer or in the case of a self administered survey, respondent records his or her entire response.

Advantages

Open ended questions are flexible because they are less likely to suggest or guide the answer than in closed questions. They also allow respondents to furnish more information, including feelings and understanding of the subject.

Disadvantages

Open ended questions tend to be time consuming since the researcher has to go through yet another process of content classification. Moreover, some respondents may not be able to express themselves, and thus data may go down the drain, Saunders (2007). Lastly, open ended questionnaires require the effort and time of respondent which might be non-existent. Respondents' handwriting also could be eligible.

3.6.4 Observation

Saunders (2000:218) says observation involves the systematic surveillance, recording, description, analysis and interpretation of people's behavior. It can be participatory or structured. Participatory is qualitative. It is when the researcher attempts to participate fully in the lives and activities of subjects and thus become a member of the group, organization or community. Gill and Johnson (1997:113) says this enables the researcher to share their experiences by not merely observing what is happening but also feeling it. It is systematic and has a high level of predetermined structures.

Merits of observation

Observation provides direct access to the social phenomena under consideration, www.strath.ac.uk (26/09/14: 1316hrs). It avoids the wide range of problems associated with a self report. It is useful for researchers working within their organization. It secures information which most participants would ignore because it was too mundane. It is cheap and easy to administer.

Demerits of Observation

As the researcher develops friendship with member of the group, he is likely to lose his objectivity and accuracy of the research study. It can be very time consuming and resource intensive. Observation may not be viable for the researcher with restricted time to carry-out the observation,

www.strath.ac.uk(26/09/14: 1316hrs). Lastly, observation is prone to observer-bias; the researcher may record information which they either wanted to see or expected to see.

3.6.5 Likert Scale

Likert scale was named after its developer;Likert. Typically, respondents must decide first whether they agree or disagree with the content of each stated proposition. Secondly, they must determine their level of intensity regarding the proposition by indicating how strongly they feel (e.g., strongly agree or strongly disagree).Likert scale serves as an aid of a questionnaire. According to Sckaran (2000) a likert scale is designed to examine how strongly subjects agree or disagree with statements on a five point scale with the following ratings.

| | | | | |
|-------------------|----------|----------|-------|----------------|
| Strongly disagree | disagree | not sure | agree | strongly agree |
| 1 | 2 | 3 | 4 | 5 |

Likert (1932) developed the principle of measuring attitudes by asking people to respond to statements about a research, usinga scales that purports to measure attitude direction (by agree or disagree) and intensity (by strongly agree or strongly disagree). Lastly, a Likert type of scale assumes that, the intensity of experiences is linear.It ranges from strongly agree to strongly disagree as aforesaid and makes the assumption that the attitudes can be measured.

Merits

Likert scale shows the strength of person’s feelings to whatever contents in the question. The researcher could analyze data easily, since data was easy to gather

Demerits

The likert scale attitude could be invalid due social desirability of certain individuals to put themselves in a positive position. Additionally, some participants may base answers on feelings toward surveyor or subject and may answer according to what they feel is expected of them as participants.

3.6 Data triangulation

Data triangulation is defined by Denzin (1979: 292) as "the combination of research methodologies in studying the same phenomenon." Data triangulation metaphor is from navigation and military strategy that use multi-reference points to locate an object's exact position. Much more satisfactory, in Denzin's opinion, is the 'multi-methods' approach which, by combining at least two different methods in one study, reaps the benefits of each approach while also compensating for their weaknesses.

Merits of Data triangulation

Data triangulation has vital strengths and encourages a productive research since information is supported in multiple places, which makes it easier to analyze information and outcomes. It intensifies qualitative methods to their deserved prominence and demonstrates that quantitative methods are utilized in harmonizing manner, Jick (1979). Supplementary sources of data often give more handy insights into a research topic. Furthermore, meagerness's found in one source data are reduced when several data sources confirm the same data. Similarly, Denzin (1979) contends that, in data triangulation, more comprehensive data is acquired since multiple data-sources provide corroboration and verification of similar information.

Shortcomings of data triangulation

Data triangulation strategy is not without shortcomings. Firstly, reproduction of data is exceptionally problematic. Reproducing multiple-methods is a virtually impractical task, thus qualitative methods in particular, are problematic to replicate Jick (1970). Secondly, multi-methods are of no use with the faulty research question. More so, data triangulation requires the researcher to be clearly focused theoretically in order to produce a satisfactory outcome, Denzin (1979). Similarly, triangulation

cannot be used to justify a dominant and personally preferred method. One method may be stronger or more appropriate but this needs to be carefully justified, if not, the purpose of triangulation is subverted. Campbell and Fiske (1959) contend that qualitative and quantitative data in triangulation do not blend easily. There are always shortcomings relating to differences in the domain of observables, interpretations and whether indeed the data speak to a common point. Thus, it is difficult to establish the validity of data triangulation.

Above all, triangulation demands creativity from its user ingenuity in collecting data and insightful interpretation of data.

3.7 Data presentation

Data that was collected in this research was illustrated by tables, graphs and pie charts for the purposes of data presentation. These aids in data presentation sufficiently showed a clear depiction of trend, the general frequency of responses and precisely summarized information.

3.8 Data Analysis

Data analysis is the process of applying statistical or logical techniques to illustrate, condense and evaluate data, Wegner (2004). The respondents' data was inputted into the spreadsheet and subjected to statistical analysis. Since the items used the ordinal scale of measurement, the researcher used mode as a measure of central tendency to describe a set of data wherever respondents gave similar responses. Additionally, measures of central tendency were used to simplify data into conclusive information that was corroborative to literature findings. The researcher used hermeneutical analysis or interpretive analysis to analyze qualitative data. According to Bryman (2004) hermeneutical analysis is the making sense of a written text.

3.9 Summary

This chapter described the research methodology that was used to achieve the objective of the study. It also covered the research design, sampling techniques, target population, research instruments, data triangulation, data analysis and presentation. This chapter included the justification of the research methodology used to carry out the research. The next chapter will cover data presentation and data analysis.

Chapter 4

Data presentation and analysis

4.0 Introduction

This chapter focuses on the presentation and analysis of data collected through interviews and questionnaires.

4.1 Findings on data response rates

Table 4.1: Questionnaire and interview response rate

Table 4.1 below shows the response rates obtained from the study;

| Research Method | Respondents | Distribution | Response | Response Rate |
|-----------------|-------------------------------------|--------------|----------|---------------|
| Interviews | Management | 5 | 5 | 100% |
| Questionnaires | Councillors | 4 | 4 | 100% |
| | Accounting and internal audit staff | 16 | 14 | 88% |

The researcher distributed 4 questionnaires to Councillors and 16 questionnaires to accounting and internal audit staffs using Judgemental sampling. In respect to the accounting and internal audit staff 14/16 (88%) were returned and 2/16 (12%) were not returned. Of the questionnaires distributed to councillors 4/4 (100%) were returned. The responses obtained for Councillors and accounting and internal audit reflect a response rate of 100% and 88% respectively of the sample, hence the response rate was satisfactory and can thus be relied upon.

Five out of five personal interviews were carried out, representing a satisfactory response rate of 100%

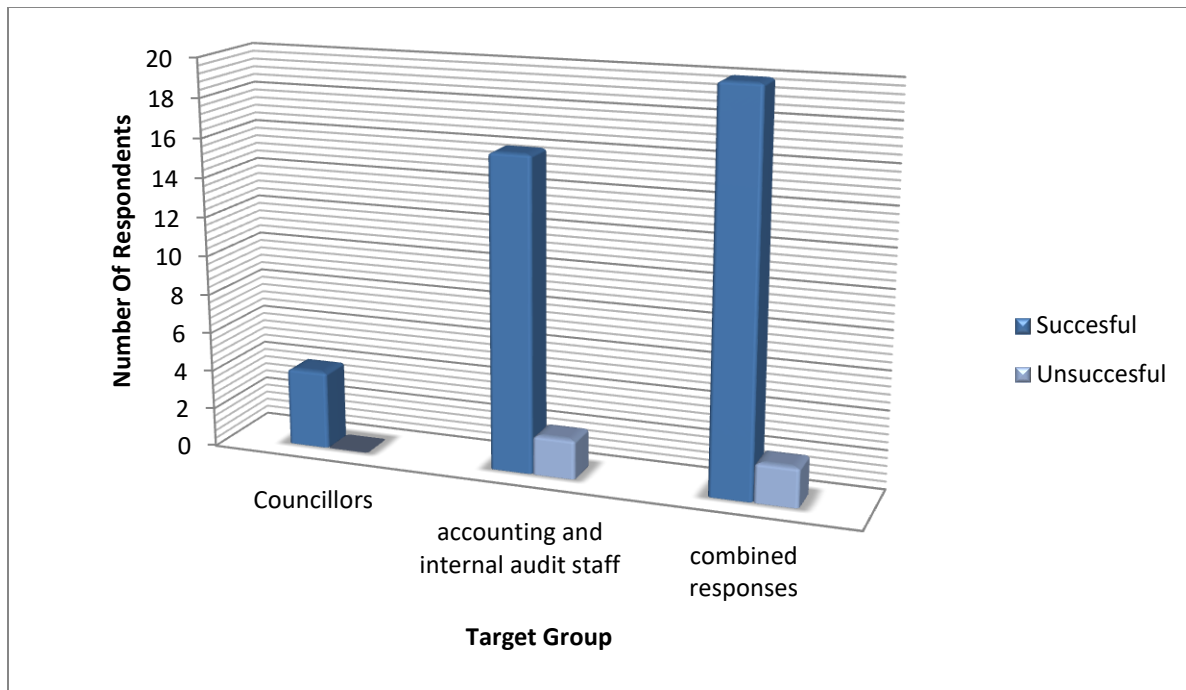


Figure 4.1: Questionnaire response rate

Figure 4.1 represent data in table 4.1. It can be concluded that there is a satisfactory response rate as evidenced by 18/20 (90%) respondents

4.2 Questionnaire

1) Gender of respondents

Of the 20 questionnaires which were issued to MCC, the respondents were 18 people consisting of 10 males and 8 females as shown in Table 4.1 and Fig 4.2 underneath;

Table 4.2.1 Gender of respondents

| | Male | Female | Total |
|-------------|------|--------|-------|
| Respondents | 10 | 8 | 18 |

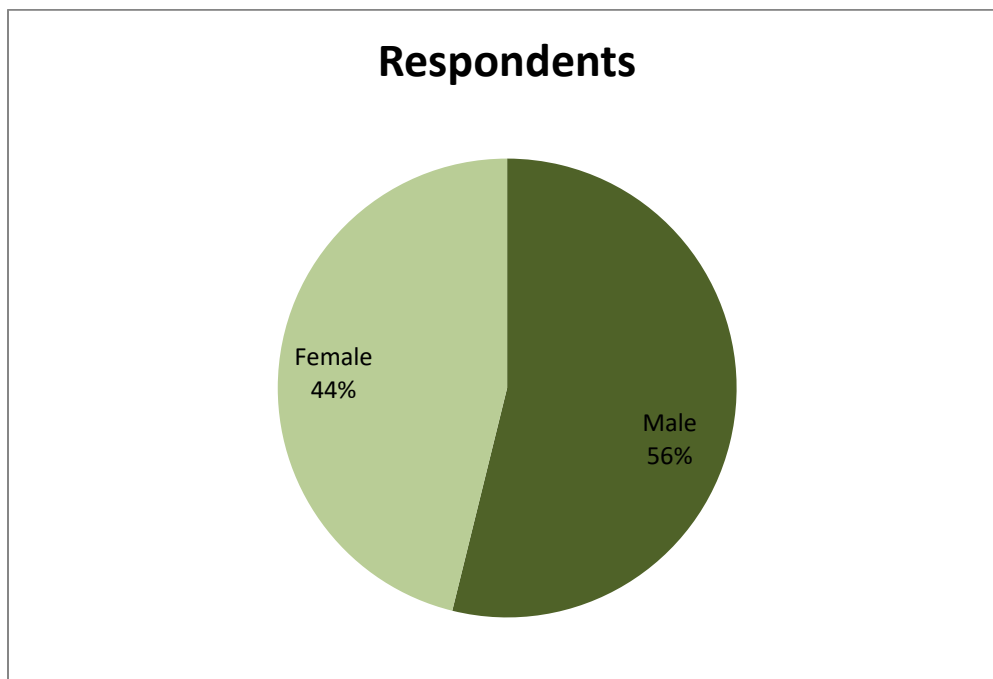


Fig 4.2.1: Gender of respondents

The response rate was high and fairly gender balanced giving a male response rate of 56% and a female response rate of 44%.

2) Highest academic qualification attained by respondents

Staff with Higher National Diploma occupied a large number of the respondents as illustrated in Table 4.3 and Fig 4.4 below.

Table 4.2.2 highest educational qualification attained

| Level of education | Certificate | National diploma | Higher National diploma | degree | Other | Total |
|--------------------|-------------|------------------|-------------------------|--------|-------|-------|
| Frequency | 2 | 3 | 8 | 4 | 1 | 18 |
| Percentage | 11% | 17% | 44% | 22% | 6% | 100% |

The results in table 4.2.2 show that, respondents who hold a Certificate occupied 11% of the total response rate, National Diplomas occupied 17%, Higher National Diploma occupied 44% and those with a Degree occupied only 22%. Other academic qualifications constituted an employee with a CIS affiliate, thus only 6%.

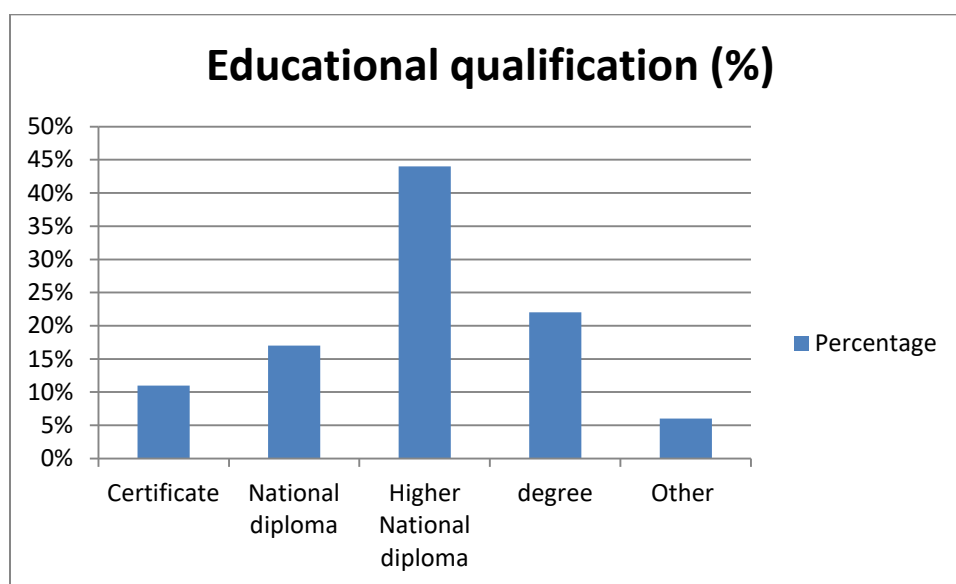


Fig 4.2.2: Highest academic qualification attained

Data in figure 4.2.2 represent data in table 4.2.2. The aforementioned result in table 4.2.2 illustrates that, in Municipalities, vast employees hold a Higher National Diploma, thus the data collected from them can be deemed reliable.

3) There is a well formulated risk management policy at MCC

Table 4.2.3 existence of the risk management policy

| | Strongly agree | Agree | Strongly disagree | Disagree | Unsure | Total | Mean |
|------------|----------------|-------|-------------------|----------|--------|-------|------|
| Rating | 5 | 4 | 3 | 2 | 1 | | |
| Frequency | 1 | 0 | 11 | 4 | 2 | 18 | 2.67 |
| Percentage | 6% | 0% | 61% | 22% | 11% | 100% | |

Table 4.2.3 show that 1/18 (6%), strongly agreed that there is a risk management policy at MCC, 11/18(61%) strongly disagreed, 4/18 (22%) disagreed, 0/18 (0%) agreed and 2/18(11%) were unsure.

In a nut shell, 1/18 (6%) agreed and 17/18 (94%) disagreed that there is a risk management policy at Mutare City Council.

Overally, it can be boldly concluded that there is no risk management framework in place at MCC.

4) There is a formal document to prove the existence of company's risk management policy

Table 4.2.4 existence of a blue print of the risk management policy

| | Strongly agree | Agree | Strongly disagree | Disagree | Unsure | Total | Mean |
|------------|----------------|-------|-------------------|----------|--------|-------|------|
| Rating | 5 | 4 | 3 | 2 | 1 | | |
| Frequency | 0 | 1 | 13 | 2 | 2 | 18 | 2.72 |
| Percentage | 0% | 6% | 72% | 11% | 11% | 100% | |

Table 4.2.4 show that 1/18 (6%), agreed that there a blue print of the risk management policy existed at MCC, 0/18(0%) strongly agreed, 13/18(72%) strongly disagreed, 2/18 (11%) disagreed and 2/18(11%) were unsure.

Results in fig 4.2.4 show that, there is a modal frequency of 13 respondents who strongly disagreed that a blue print of the risk management policy existed at MCC. Additionally a mean of 2.7 shows that, the aforementioned modal frequency can be satisfactory relied upon.

On the whole, 1/18 (6%) agreed and 17/18 (94%) disagreed that a blue print of risk management policy existed at MCC. From the table in 4.5, it can gallantly be concluded that, no formal document is in place to prove the existence of a risk management policy in place at MCC.

5) There company’s risk management policy is being complied with

Table 4.2.5 Compliance of the risk management policy

| | Strongly agree | Agree | Unsure | Disagree | Strongly disagree | Total | Mean |
|------------|----------------|-------|--------|----------|-------------------|-------|------|
| Rating | 5 | 4 | 3 | 2 | 1 | | |
| Frequency | 0 | 0 | 0 | 2 | 16 | 18 | 1.11 |
| Percentage | 0% | 0% | 0% | 11% | 89% | 100% | |

Table 4.2.5 shows that 16/18 (89%), strongly disagreed that, MCC complied with the risk management policy, 0/18(0%) strongly agreed, 0/18(0%) agreed, 0/18 (0%) were unsure and 2/18(11%) disagreed.

Overally, 18/18 (100%) disagreed that MCC complied with the risk management policy. From the table in 4.6, it can be concluded that, the risk management policy is being complied with at MCC.

6) The risk management policy is formulated by

Table 4.2.6risk management policy formulation

| | Strongly agree | Agree | Unsure | Disagree | Strongly disagree | Total | Mean |
|---------------------|----------------|-------|--------|----------|-------------------|-------|------|
| Rating | 5 | 4 | 3 | 2 | 1 | | |
| i)Management | 14 | 4 | 0 | 0 | 0 | 18 | 4.78 |
| percentage | 78% | 22% | 0% | 0% | 0% | 100% | |
| ii) internal audit | 15 | 2 | 1 | 0 | 0 | 18 | 4.78 |
| percentage | 83% | 11% | 6% | 0% | 0% | 100% | |
| iii)finance section | 10 | 4 | 2 | 2 | 0 | 18 | 4.22 |
| percentage | 56% | 22% | 11% | 11% | 0% | 100% | |

Key: *f*-Frequency, %-Percentage

Table 4.2.6 shows that 14/18 respondents, that is (78%), strongly disagreed that, management is responsible in formulating the risk management policy, 4/18(22%) agreed, 0/18(0%) strongly disagreed, 0/18(0%) disagreed and 0/18(0%) were unsure.

Table 4.2.6 shows that 15/18 (83%), strongly disagreed that, internal audit is responsible in formulating the risk management policy, 2/18(11%) agreed, 0/18(0%) strongly disagreed, 0/18(0%) disagreed and 1/18 (6%) was unsure.

Table 4.2.6 shows that 10/18 (56%), strongly disagreed that, finance section is responsible in formulating the risk management policy, 4/18(22%) agreed, 2/18 (11%) disagreed, 0/18(0%) strongly disagreed and lastly 2/18 (11%) were unsure.

Other respondents were of the notion that all departments are responsible in the formulation of the risk management policy

On the whole, 18/18 (100%) agreed that management is responsible in the formulation of the risk management policy. Consequently, 17/18 (94%) agreed and 1/18 (6%) disagreed that internal audit formulates the risk management policy at MCC. Lastly, 14/18 (78%) agreed whilst 4/18 (22%) disagreed.

It can be concluded that, management, internal audit, and the finance section have an important role in formulating the risk management policy.

7) There are adequately trained employees for risk management policy implementation

Table 4.2.7 adequately trained employees for risk management policy implementation

| | Strongly agree | Agree | Unsure | Disagree | Strongly disagree | Total | Mean |
|------------|----------------|-------|--------|----------|-------------------|-------|------|
| Rankings | 5 | 4 | 3 | 2 | 1 | | |
| Frequency | 2 | 3 | 1 | 4 | 8 | 18 | 2.28 |
| Percentage | 11% | 17% | 6% | 22% | 44% | 100% | 2.28 |

Table 4.2.7 shows that, 8/18 (44%) strongly disagreed that there are adequately trained employees for risk management implementation, 4/18 (22%) disagreed, 2/18 (11%) strongly agreed, 3/18(17%) agreed and 1/18 (6%) were unsure.

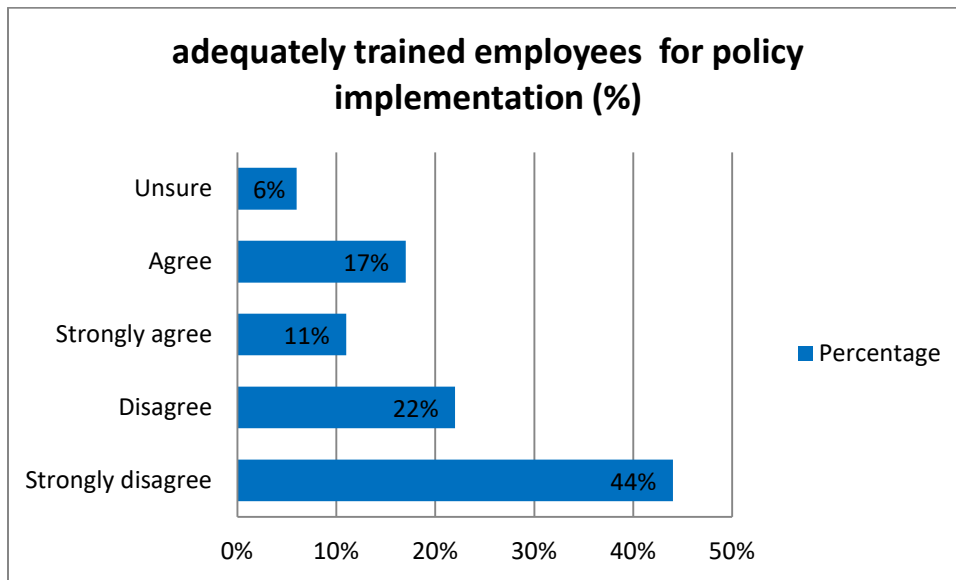


Figure 4.2.3adequately trained employees for risk management policy implementation

The data in figure 4.2.4 represent information in table 4.2.7. It can be concluded that 5/18 (28%) agreed, whilst 13/18(72%) disagreed that employees at Mutare City Council are adequately trained for risk management policy implementation.

8) Implementation guidelines for risk management

Table 4.2.8 data about implementation guidelines for risk management at MCC

| | Strongly agree | Agree | Unsure | Disagree | Strongly disagree | Total | Mean |
|--|----------------|-------|--------|----------|-------------------|-------|------|
| Rating | 5 | 4 | 3 | 2 | 1 | | |
| i) There are implementation guidelines at MCC | 8 | 7 | 3 | 0 | 0 | 18 | 3.94 |
| Percentage | 44% | 39% | 17% | 0% | 0% | 100% | |
| ii) implementation guidelines are well documented | 0 | 4 | 4 | 10 | 0 | 18 | 2.22 |
| Percentage | 0% | 22% | 22% | 56% | 0% | 100% | |
| iii) implementation guidelines are being complied with | 0 | 3 | 6 | 9 | 0 | 18 | 2.00 |
| Percentage | 0% | 17% | 0% | 50% | 33% | 100% | |

- i. 8/18(44%) of respondents strongly agreed that implementation guidelines are in place at MCC, 7/18 (39%) agreed, 3/18 (17%) were unsure, 0/18(0%) strongly disagreed and 0/18(0%) disagreed. On the whole, most respondents agreed 15/18 (83%) whilst, 3/18(17%) disagreed.
- ii. 10/18(56%) of respondents disagreed that implementation guidelines are well documented, 0/18(0%) strongly disagreed, 0/18(0%) strongly agreed, 4/18(22%) agreed whereas 4/18(22%) were unsure. Basically, 14/18 (78%) disagreed whilst 4/18 (22%) agreed.
- iii. 9/18(50%) disagreed that implementation guidelines are being complied with at MCC, 6/18 (33%) were unsure, 0/18(0%) strongly disagreed, 0/18(0%) strongly agreed and 3/18 (17%) agreed. On the whole, 15/18 (83%) disagreed whilst only 3/18 (17%) agreed.

It can be concluded that, though implementation guidelines for risk management are in place at MCC, they are not yet documented.

9) The implementation of the risk management policy is done by;

Table 4.2.9Implementation of the risk management policy

| Responses | Strongly agree | | Agree | | Strongly disagree | | Disagree | | Unsure | | Totals | | Mean |
|---------------------|----------------|-----|----------|-----|-------------------|-----|----------|----|----------|-----|----------|------|------|
| | <i>f</i> | % | <i>f</i> | % | <i>F</i> | % | <i>f</i> | % | <i>F</i> | % | <i>f</i> | % | |
| i)Management | 15 | 83% | 3 | 17% | 0 | 0% | 0 | 0% | 0 | 0% | 18 | 100% | 4.83 |
| ii internal audit | 15 | 83% | 2 | 11% | 0 | 0% | 1 | 6% | 0 | 0% | 18 | 100% | 4.72 |
| iii)finance section | 10 | 56% | 4 | 22% | 2 | 11% | 0 | 0% | 2 | 11% | 18 | 100% | 4.5 |

Key: *f*-Frequency, %-Percentage

- i. Table 4.2.9 shows that 15/18 (83%), strongly disagreed that, management is responsible for implementing the risk management policy,0/18(0%) strongly disagreed and 0/18(0%) disagreed, 0/18(0%) were unsure and 3/18(17%) agreed.
- ii. Table 4.2.9 shows that 15/18 (83%), strongly disagreed that, the internal audit function is responsible in implementing the risk management policy, 2/18(22%) agreed, 0/18(0%) disagreed, 0/18(0%) were unsure and 1/18 (6%) disagreed.
- iii. Table 4.2.9 shows that 10/18 (56%), strongly disagreed that, the finance section is responsible in implementing the risk management policy, 4/18(22%) agreed, 2/18 (11%) strongly disagreed,0/18(0%) disagreedand lastly 2/18 (11%) was unsure.

Other respondents were of the notion that, all departments are responsible in implementing the risk management policy.

On the whole, 18/18 (100%) agreed that, management is responsible in implementing the risk management policy.Subsequently, 17/18 (94%) agreed and 1/18 (6%) disagreed that internal audit implements the risk management policy. Lastly, 14/18 (78%) agreed whilst 4/18(22%) disagreed that, finance section implements the risk management policy at Mutare City Council.

Collectively, management, internal audit, and the finance section are responsible in implementing guidelines for risk management.

11) There are controls in place over risk management policy implementation

Table 4.2.10 controls in place over risk management policy implementation

| | Strongly agree | | Agree | | Unsure | | Disagree | | Strongly disagree | | Total | | Mean |
|--|----------------|----|----------|----|----------|----|----------|----|-------------------|----|----------|-----|------|
| Rating | 5 | | 4 | | 3 | | 2 | | 1 | | | | |
| | <i>f</i> | % | <i>f</i> | % | <i>f</i> | % | <i>f</i> | % | <i>f</i> | % | <i>f</i> | % | |
| i) detective controls i.e. reconciliations | 14 | 78 | 0 | 0 | 2 | 11 | 2 | 11 | 0 | 0 | 18 | 100 | 4.56 |
| ii) Preventative controls i.e. security of assets | 2 | 11 | 9 | 50 | 3 | 17 | 2 | 11 | 2 | 11 | 18 | 100 | 2.89 |

Key: *f*-Frequency, %-Percentage

- i. Table 4.2.10, illustrates that 14/18 (78%) strongly agreed that there are controls in place over risk management, 2/18 (11%) agreed, 0/18(0%) strongly disagreed, 2/18 (11%) disagreed and 0/18(0%) were unsure.

On the whole, 4/18(22%) disagreed and 14/18 (78%) agreed that there are adequate controls over implementation of the risk management policy.

It can be concluded that there are detective controls in place over risk management at MCC.

- ii. Table 4.2.10, illustrates that 2/18 (11%) strongly agreed strongly agreed that there are controls in place over risk management, 2/18 (11%) agreed, 9/18(50%) strongly disagreed, 2/18 (11%) disagreed and 3/18(17%) were unsure.

On the whole, 11/18(61%) agreed and 7/18 (39%) disagreed that there are preventative controls in place over implementation of the risk management policy.

It can be concluded that there are both preventative and detective controls in place over risk management at MCC

12) The following are best practices of risk management at MCC.

Table 4.2.11 best practices in risk management.

| | Strongly agree | | Agree | | Unsure | | Disagree | | Strongly disagree | | Totals | | mean |
|---|----------------|----|----------|----|----------|----|----------|----|-------------------|----|----------|-----|------|
| Rating | 5 | | 4 | | 3 | | 2 | | 1 | | | | |
| | <i>f</i> | % | <i>f</i> | % | <i>F</i> | % | <i>f</i> | % | <i>F</i> | % | <i>f</i> | % | |
| i) There is independency between the town clerk and the board. | 0 | 0 | 2 | 11 | 4 | 22 | 10 | 56 | 2 | 11 | 18 | 100 | 2.33 |
| ii) Arisk committee is in place. | 0 | 0 | 0 | 0 | 0 | 0 | 4 | 22 | 14 | 78 | 18 | 100 | 1.22 |
| iii) There is a formal risk management framework in place. | 0 | 0 | 2 | 11 | 0 | 0 | 6 | 33 | 10 | 56 | 18 | 100 | 1.67 |
| iv) Risk awareness and is set at every level of the organisation. | 8 | 44 | 4 | 22 | 1 | 6 | 5 | 28 | 0 | 0 | 18 | 100 | 3.83 |
| v) A dedicated chief risk officer occupies a senior position. | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 6 | 17 | 94 | 18 | 100 | 1.06 |
| vi) Risk is continuously identified. | 0 | 0 | 4 | 22 | 4 | 22 | 10 | 56 | 0 | 0 | 18 | 100 | 2.67 |
| vii) Risk mitigation is done continually | 0 | 0 | 5 | 28 | 4 | 22 | 9 | 50 | 0 | 0 | 18 | 100 | 2.78 |
| viii) Risk is constantly analysed. | 0 | 0 | 4 | 22 | 2 | 11 | 10 | 56 | 2 | 11 | 18 | 100 | 2.44 |

Key: *f*-Frequency, %-Percentage

- i. The results from table 4.2.11 show that, 10/18 (56%) of the respondents disagreed, that there is independency between the town clerk and the board, 2/18 (11%) agreed, 0/18(0%) strongly agreed, 2/18(11%) strongly disagreed and 4/18 (22%) were unsure.

On the whole, 16/18 (89%) disagreed whilst 2/18 (11%) agreed that, there is independency between the town clerk and the board.

It can therefore be concluded that, there is independency between the town clerk and the board

- ii. Table 4.2.11 show that, 14/18 (78%) strongly disagreed, 4/18 (22%) disagreed,0/18(0%) strongly agreed, 0/18(0%) agreed and 0/18(0%) were unsure that; a risk committee is in place at MCC.
On the whole, 18/18(100%) disagreed that a risk committee is in place at MCC, thus it can be boldly, be concluded that, there is no risk committee in place.

- iii. Table 4.2.11 show that, 10/18 (56%)of the respondents strongly disagreed that, there is a formal risk management framework in place, 6/18 (33%) disagreed, 2/18 (11%) agreed and 0/18 (0%) strongly agreed and 0/18(0%) were unsure
Basically, 16/18 (89%) disagreed whilst 2/18 (11%) agreed that,there is a formal risk management framework in place at MCC.

- iv. The responses from table 4.2.11 show that, 8/18 (44%) strongly agreed that, risk awareness at MCC manifest and it is set at every level of the organization. Additionally, 4/18 (22%) agreed, 5/18 (28%) disagreed,0/18 (0%) strongly disagreed whilst 1/18(6%) was unsure.

- v. The responses from table 4.2.11 show that, 17/18 (94%) strongly disagreed, 1/18 (6%) disagreed,0/18(0%) strongly agreed, 0/18(0%) agreed and 0/18(0%) were unsure that; a dedicated chief risk officer occupies a senior position.
It can therefore be concluded that, a dedicated chief risk officer does not occupy a senior position.

- vi. Table 4.2.11 show that, 10/18 (56%)of the respondents disagreed that, risk is being continuously identified at MCC, 4/18 (22%) agreed, 0/18(0%) strongly disagreed and 0/18(0%) strongly agreed and 4/18 (22%) were unsure.
On the whole, 14/18 (78%) disagreed whilst 4/18 (22%) agreed that,risk is being continuously identified at MCC.

- vii. The results from table 4.2.11 show that, 9/18 (50%) of the respondents disagreed, that risk mitigation is done continually,5/18 (28%) agreed,0/18(0%) strongly disagreed and 0/18(0%) agreed and 4/18 (22%) were unsure.
On the whole, 14/18 (78%) disagreed whilst 4/18 (22%) agreed that, there is independency between the town clerk and the board.
It can therefore be concluded that, risk mitigation is not done continually.

viii. Responses from table 4.2.11 show that, 10/18 (56%) of the respondents disagreed that, risk is constantly analyzed, 2/18 (11%) strongly disagreed, 4/18 (22%) agreed, 0/18 (0%) strongly agreed and 2/18 (11%) were unsure.

On the whole, 14/18 (78%) disagreed whilst 4/18 (22%) agreed that, risk is constantly analysed.

13) Open ended questions (other comments)

14 out of 18 of the respondents (78%) pointed out that, MCC was still in the process of learning more about risk management, under the guidance of Gonglow consultancy. Additionally, they all mentioned that, the first phase of training was accomplished and council staff was still waiting for the second and final phases scheduled for 2014.

4.3 Interview analysis

Five interviews were conducted with the acting chief internal auditor and the senior accountant, acting senior internal auditor, finance manager and an accountant of MCC.

1. Is there a risk management policy in blue print, if no how does the company communicate its risk management policy to the employees?

None out of 5 respondents said there is a risk management policy in blue print. Nevertheless, they mentioned that, council staff was guided by policies and procedures stipulated in the financial regulations and the urban councils Act.

2. Who is responsible for formulating the risk management policy?

Five out of five respondents said that, management, internal audit and the board of directors are collectively responsible for the formulation of the risk management policy.

3. What implementation guidelines are in place?

All the five respondents pointed out that, implementation guidelines were being finalized.

4. What controls are in place over policy implementation?

All the five respondents pointed out that, detective and preventative controls were in place over implementation of the risk management policy.

5. What challenges are being faced in risk management?

Five out of five respondents (100%) cited that, lack of adequately trained staff for risk management such as lack of the chief risk officer, as the main stumbling block in risk management implementation.

6. In your opinion, what is the best practice in risk management policy implementation?

All five respondents mentioned that, a dedicated chief risk officer should occupy a senior position.

4.4 Summary

This chapter analyzed, presented, and interpreted data that was collected during the research. Data analysis and presentation was done through the use of tables, graphs, descriptive summaries and pie charts. Chapter 5 looks at the summary of chapters, major findings and recommendations which MCC can adopt.

Chapter five

Summary, findings and recommendations

5.0 Introduction

This chapter gives a summary of all chapters, major research findings, area for further research, recommendations, conclusions and the summary.

5.1 Chapter summaries

Chapter 1 looked at the research background, statement of the problem, research questions, and objectives of the study, assumptions, delimitation, summary and limitations of the study.

Chapter 2 was a look at the risk management process, risk measurement, challenges being faced in risk management, controls in place over policy implementation and personnel capabilities in implementing risk management. Chapter two also outlined risk management models in BRICS countries, the best practice that may be adopted in achieving risk management, link between internal audit function and risk management and summary.

Chapter 3 described the research methodology that was used to achieve the objective of the study. This chapter also covered the research design, sampling techniques, target population, research instruments, data triangulation, data analysis and presentation. This chapter included the justification of the research methodology used to carry out the research and finally the summary.

Chapter 4 analyzed, presented, and interpreted data that was collected during the research through interviews, questionnaires and observation. Data analysis and presentation was done through the use of tables, graphs, descriptive summaries and pie charts. Data was analyzed using percentages.

5.2 Major findings

The following are the major findings of the research:

Non existence of a risk management policy

It was established that there is no risk management policy.

Risk management policy implementation

It was established that a well formulated procedure manual for the implementation of a risk management policy does not exist. The staff responsible for implementing the risk management policy, which is management, board of directors and internal audit section were not adequately trained

Non existence of the chief risk officer and the risk committee

It was established that a risk committee was not in place and the chief risk officer did not occupy a position at MCC.

Controls in place over policy implementation

It was established that there are preventative and detective controls in place over the implementation of risk management.

The best practice in risk management policy implementation

The study revealed that, MCC is lagging behind in making use of the considered best practices in achieving risk management of municipalities. Those are the practices which have been widely adopted by other successful municipalities in BRICS countries.

5.3 Conclusion

In conclusion, the research was a success since the researcher was able to accomplish the research objectives. It was concluded that there is no risk management policy at MCC. This is mainly attributed to inadequate training of employees for risk management policy implementation. Findings unearthed shortcomings in risk management policy implementation.

5.4 Recommendations

- A well formulated procedure manual for the implementation of the risk management policy should be in place at MCC.
- The formulation of the risk management policy should be done with the participation of all employees to encourage a sense of belonging, so that they would be dedicated to their input.

- A risk committee should be in place and a dedicated chief risk officer should occupy a senior position at MCC.
- Risk should be identified as early as possible using either brainstorming, root cause analysis and cause and effect diagramming techniques of risk identification.
- Adequate education should be provided for the entire team on risk management so that risk effectively communicated and mitigated.

5.5 Area for further research

The researcher has focused on investigating risk management by the internal audit function. The researcher highlights that, further study may also be made on the level of implementation of risk management policies and to ascertain why risk management is not implemented by other local authorities.

5.6 Summary

This chapter covered the introduction, chapter summaries, major findings, conclusion, recommendations, area for further research and the summary.

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Appendix 1

Cover Letter

Midlands State University
Faculty of Commerce
Department of Accounting
P. Bag 9055
Gweru

15 September 2014

Mutare City Council
P.O. Box 910
Mutare

Dear Sir/Madam

RE: PROJECT REQUEST ASSISTANCE.

My name is Luke Matema. I am a final year student at Midlands State University studying B.Comm (Hons) Accounting Degree. I am required to carry out a research project in partial fulfillment of the requirements of the degree. My project research topic is '**An investigation of risk management by the internal audit function-a case of Mutare City Council.**'

To make the research a success, I kindly request your assistance in my data gathering process by responding to the attached questionnaires. Information gathered will be treated with utmost confidentiality. **Your responses will not be disclosed to any third party.** If you have queries please do not hesitate to contact me on 0774982754, email matemaluke@gmail.com or the Department of Accounting chairperson on +263 542 604 04\9.

Your assistance in completing this questionnaire will be greatly appreciated is greatly appreciated.

Yours faithfully

.....

Matema Luke (R112481E)

Appendix 2

Questionnaire

Instructions to respondents

- Show response by ticking in the applicable response box as provided.
- Answer all questions on the spaces provided.
- Please do not write your names on this questionnaire

1) Gender

Male Female

2) Highest academic qualification attained

Certificate National Diploma Higher National Diploma Degree

Other

Specify other.....

3) There is a well formulated risk management policy at Mutare City Council

Strongly Agree Agree Not Sure Disagree Strongly Disagree

4) There is a formal document to prove the existence of company's risk management policy

Strongly Agree Agree Not Sure Disagree Strongly Disagree

5) The company's risk management policy is being complied with

Strongly Agree Agree Not Sure Disagree Strongly Disagree

6) The risk management policy is formulated by

| | Strongly agree | Agree | Strongly disagree | Disagree | Unsure |
|----------------------|----------------|-------|-------------------|----------|--------|
| i) Management | | | | | |
| ii) internal audit | | | | | |
| iii) finance section | | | | | |

Any other

(Specify).....

7) There are adequately trained employees for risk management policy implementation

Strongly Agree Agree Not Sure Disagree Strongly Disagree

8) Implementation guidelines for risk management

| | Strongly agree | Agree | Strongly disagree | Disagree | Unsure |
|---|----------------|-------|-------------------|----------|--------|
| i) There are implementation guidelines at Mutare City Council | | | | | |
| ii) implementation guidelines are well documented | | | | | |
| iii) implementation guidelines are complied with | | | | | |

9) The implementation of the risk management policy is done by;

| | Strongly agree | Agree | Strongly disagree | Disagree | Unsure |
|----------------------|----------------|-------|-------------------|----------|--------|
| i) Management | | | | | |
| ii) internal audit | | | | | |
| iii) finance section | | | | | |

Any other

(Specify).....

10) There are controls in place over risk management policy implementation

Strongly Agree Agree Not Sure Disagree Strongly Disagree

11) The following controls over risk management are in place

| | Strongly agree | Agree | Strongly disagree | Disagree | Unsure |
|---|----------------|-------|-------------------|----------|--------|
| ii) detective controls i.e. reconciliations | | | | | |
| ii) Preventative controls i.e. security of assets | | | | | |

Any other

(Specify).....

12) The following are best practices of risk management at Mutare city council

| | Strongly agree | Agree | Strongly disagree | Disagree | Unsure |
|---|----------------|-------|-------------------|----------|--------|
| i) There is independency between the town clerk and the board. | | | | | |
| ii) A risk committee is in place. | | | | | |
| iii) There is a formal risk management framework in place. | | | | | |
| iv) Risk awareness and is set at every level of the organisation. | | | | | |
| v) A dedicated chief risk officer occupies a senior position. | | | | | |
| vi) Risk is continuously identified | | | | | |
| vii) Risk mitigation is done continually | | | | | |
| viii) Risk is constantly analyzed. | | | | | |

13) Any other comments you may want to add

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Matema Luke (R112481E)

Thank you for your cooperation

Appendix3

Interview Guide

Established 2000
**Midlands State
University**



1. Is there a risk management policy in blue print, if no how does the company communicate its risk management policy to the employees?
2. Who is responsible for formulating the risk management policy?
3. What implementation guidelines are in place?
4. What controls are in place over policy implementation?
5. What challenges are being faced in risk management?
6. In your opinion, what is the best practice in risk management policy implementation?

Matemaluke (R112481E)

Thank you for your cooperation