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Faculty of Commerce  
Department of Accounting



**An investigation into factors which limit the effectiveness of the Office of the Auditor-General in meeting the statutory deadline for tabling of the Auditor-General's annual audit report**

BY:

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## **DEDICATION**

To my dear mother, brother, late father and departed loving sisters

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## **ABSTRACT**

The Office of the Auditor-General has not been able to meet the statutory deadline of June 30 of each year for the tabling of the Auditor-General's annual audit report since the year 2011 in contravention of the Audit Office Act (2009). The challenges faced were due to late submission of accounts and returns for audit, flight of skilled labour, shortage of resources and constrained legal framework. This dissertation was carried out with the aim of evaluating the factors which limit the effectiveness of the Office of the Auditor-General (OAG) and identify ways in which the OAG can be capacitated. The researcher recommended that parliament must consider enacting legislation which gives the Auditor-General (AG) legal power; to apply for a separate budget directly to parliament, table her reports directly in parliament, setting of stiff penalties on Accounting Officers who submit accounts late for audit, appointment of audit committees and a statutory instrument to enforce the AG's orders. In addition, the AG must be allowed to retain 100% of the audit fees charged and set up a skills retention fund to attract and retain skilled personnel.

## LIST OF ACRONYMS

**ADB** -African Development Bank

**AG** - Auditor-General

**AO**- Accounting Officer/Permanent Secretary is a person prescribed by the Minister of Finance in terms of section 10 of the Public Finance Management Act [*Chapter 22:19*] whose responsibility is to control and be accountable for revenue and expenditure of a particular ministry.

**Audit**- It is an independent examination of the financial statements of an organization with a view to forming an opinion as to the truth and fairness of the statements.

**Audit Opinion**- According to ISA 700, It is a view expressed by an auditor after having gathered and examined accounting records and supporting documents from which the financial statements were prepared and it is usually communicated through audit reports issued to management of the audited entity.

**CAG** – Comptroller and Auditor-General

**CPD**- Continuous Professional Development

**DFID**- United Kingdom (UK) Department for International Development

**INTOSAI**-International Organisation of Supreme Audit Institutions

**ISA**- International Standards on Auditing

**ISSAI**-International Standards of Supreme Audit Institutions

**MDGs**- Millennium Development Goals

**Ministry-** An expenditure centre approved by parliament for spending public funds voted annually in terms of the Appropriation Act.

**OAG-**Office of the Auditor-General

**PAC-** Public Accounts Committee

**SAI-** Supreme Audit Institution

**USAID-** United States Agency for International Development



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# CHAPTER ONE

## 1.0 Introduction

This chapter covers the introduction, background to the problem, statement of the problem, main research question, sub-research questions, research objectives, delimitation of the study, limitations of the study, assumptions, definition of terms and a summary at the end of the chapter.

## 1.1 Background to the problem

The Office of the Auditor General strategic plan (2013-2015) highlighted that the Audit Office has not been able to meet the prescribed reporting statutory deadline to Parliament of Zimbabwe of June 30 of each year since the passing of the Audit Office Act (2009) which however became operational with effect from 01 April 2011. The Table below illustrates the extent to which the prescribed June 30 deadline has been missed by the Audit Office:

**Table 1. Analysis of statutory deadlines missed by the Auditor General's reports**

<b>Financial year</b>	<b>Expected statutory deadline</b>	<b>Date submitted to Minister of Finance for tabling in Parliament</b>	<b>Variance</b>
2010	June 30, 2011	October 28, 2011	3 months
2011	June 30, 2012	October 12, 2012	3 months
2012	June 30, 2013	April 25, 2014	9 months
2013	June 30, 2014	October 31, 2014	4 months

*Adapted from Auditor-General's reports 2010-2013*

The effect of variances noted in the above table is that lack of timeliness in financial reporting has resulted in government officials implicated in audit reports on matters relating to misappropriation of public funds and abuse of public property taking a longer than necessary time to appear before parliament and answer to the charges Zinyama (2013).

According to the AFROSAI-E peer review report (2012), the tabling of the annual audit report has also been negatively affected by lack of sufficient budgetary support needed to finance the core functions of the Office of the Auditor-General. The Office largely depends on erratic and inadequate grants from one of its audit clients, Ministry of Finance in order to fund its day to day operational activities Audit Office strategic plan (2013-2015, p.27).

Current legislation does not permit the Auditor-General to apply for funding directly from parliament as practiced in developed countries such as Mexico and Peru (ISSAI 1 and ISSAI 10). Section 26 (d) of the Audit Office Act (2009) also does not allow the Office of the Auditor General to charge audit fees for services rendered to line ministries. However, the Office is only entitled to charge audit fees on parastatal audits and other prescribed statutory bodies in terms of section 26 (d) of the Audit Office Act (2009) who are presently defaulting in meeting their financial obligations. According to Audit Office debtors schedule (2012), such entities include Printflow private limited, Zimbabwe Broadcasting Holdings (ZBH), Zimbabwe Anti-Corruption Commission (ZAC), State Procurement Board (SPB), ZARNET and Zimbabwe Electoral Commission (ZEC).

In addition, section 12 of the Audit Office Act (2009) states that it is the Minister of Finance or Speaker of parliament who should table annual audit reports on behalf of the Auditor-General. This implies that the Auditor-General is not legally empowered to table her annual reports directly to parliament thereby leading to unnecessary bureaucratic delays as the Ministry of Finance is also an interested party.



According to Hansard (2011), the above-mentioned operational bottlenecks have resulted in overall lack of accountability by responsible Ministry officials, inefficient government administration, poor service delivery and deteriorating standards in the livelihoods of the country's citizens who are supposed to benefit from the government's social protection programmes.

## 1.2 Statement of the problem

The trend analysis of the tabling of the Auditor General's reports since the year 2008 has shown significant delays in meeting the prescribed statutory deadline of June 30 of each year in terms of the new Audit Office Act (2009). The contributory factors according to the Audit Office strategic plan (2013-2015, p.27) are as follows; the Office's dependence on erratic and inadequate funding from its audit client, Ministry of Finance, legislative restriction in applying for funding directly from parliament, outstanding audit fees from parastatals and other state enterprises and lack of legal power for the Auditor-General to table her annual audit reports directly in parliament. According to Hansard (2011), this has caused lack of accountability by those entrusted with management of public resources, poor government administration and impoverishment of the country's economically disadvantaged citizens.

Therefore, the study intends to make further investigations into the subject matter and recommend appropriate strategies or approaches which can be adopted to bring efficiency, effectiveness and excellence in the functions of the Office of the Auditor-General.

## 1.3 Main research question

What are the factors which reduce the effectiveness of the Office of the Auditor-General in meeting the statutory deadline for tabling of the Auditor-General's annual audit report?

## 1.4 Sub-research questions

1.4.1 What constraints cause delays in tabling annual audit reports of the Auditor-General?

1.4.2 How do audit methodologies affect the performance of Office of the Auditor-General?

1.4.3 What role do audit committees play in the reporting function of Offices of the Auditor-General?

1.4.4 How effective is the Office of the Auditor-General in other countries?

1.4.5 What approaches can be used to capacitate the Office of the Auditor-General?

## 1.5 Research objectives

1.5.1 To identify factors which cause delays in meeting the statutory deadline for tabling of the Auditor-Generals' reports.

1.5.2 To evaluate the appropriateness and efficiency of audit methodologies of Offices of the Auditor-General.

1.5.3 To ascertain the contribution of audit committees towards effective execution of the mandate of the Office of the Auditor-General?

1.5.4 To assess the effectiveness of GAG's office in other countries.

1.5.5 To recommend ways in which the Office of the Auditor-General can be capacitated.

## 1.6 Delimitation of the study

The research was conducted in Harare at the Office of the Auditor-General focusing particularly in the period from the year 2009 to 2015. Furthermore, wide consultations and discussions were held with officials from the Office of the Auditor-General, Ministry of Finance and Parliament of Zimbabwe.

## 1.7 Limitations of the study

### 1.7.1 Access to information

The researcher encountered difficulties in obtaining all the required information due to the Official Secrecy Act which governs storage and dissemination of government information.

The researcher gave assurance to interviewees that information gathered from the research shall be used purely for academic purposes and that confidentiality will be maintained.

### 1.7.2 Potential bias of respondents

Some respondents gave misleading, false and biased responses which did not reflect the actual situation on the ground. In response the researcher balanced the number and gender of respondents from different government departments.

### 1.7.3 Fear of the unknown

Some respondents were not willing to co-operate in questionnaire responding due to fear in disclosing important information crucial to the researcher. The researcher assured the respondents that information given shall be handled with utmost care and their identity shall not be mentioned in the research paper.

### 1.7.4 Commitments

Work commitments was a challenge on the part of respondents at the workplace. The researcher made timely appointments with respondents to avoid disrupting their busy work schedules.

### 1.7.5 Internet breakdown

The researcher faced an unreliable internet connectivity. However, the researcher made numerous visits to internet cafes to download research material so that the study could be completed within the prescribed timeframe.

### 1.7.6 Time constraints

The time to conduct the research was significantly reduced since the researcher is a full-time employed civil servant with demanding duties at the workplace. However, to overcome this challenge the researcher intensified work on the research during weekends and after normal working hours.

## 1.8 Assumption

The political, legal, economic and social environment to remain stable during the period of the study.

## 1.9 Chapter summary

Chapter one looked at background to the problem from which the researcher explored the existence of factors which reduce the effectiveness of the Office of the Auditor-General in meeting the statutory deadline for tabling of the annual audit report in parliament. Research objectives and research questions were formulated in addition to highlighting the delimitations, limitations to the study, assumptions and definition of terms used in the chapter.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.0 Introduction

This chapter analyses and reviews literature relevant to the research objectives. It covers constraints which cause delays in tabling annual audit reports of the Auditor-General, audit methodologies and their effect on the performance of Offices of the Auditor-General, the role of audit committees, effectiveness of CAG's office in other countries, capacitation of Office of the Auditor-General and chapter summary.

#### 2.1 Constraints which cause delays in meeting the statutory deadline

According to Josiah et al (2013), auditors are currently facing various challenges which among others include the following; continuous changes which require a high level of technical knowledge and ability to adapt to dynamic changes in the auditing profession, advanced computer systems and applications, multitude volumes of complex data inflows and constantly changing regulatory frameworks with stringent compliance requirements. Nombembe (2010) also highlighted that public sector auditors incidentally encounter numerous challenges in their operational activities, amongst them being late submission of accounts and returns for audit, flight of skilled and experienced labour, shortage of resources and impaired operational and financial independence from resource providers. These challenges are briefly described in the following paragraphs;

##### 2.1.1 Late submission of financial statements and returns for audit

The Audit Circular No.1 of each year prescribes that appropriation accounts and returns relating to transactions for the previous year should be submitted to the Auditor-General on or before February 28 of the following year. However, according to Zhou and Zinyama

(2012), Accounting officers regularly fail to meet deadlines regulating the preparation and submission accounts and returns for audit. They further pointed out that most of the difficulties emanate from areas of financial administration resulting from lack of highly skilled staff and weaknesses in budgetary control.

This was also supported by Okaro and Ogochukwu (2011) who pointed out that in Nigeria the Office of the Accountant-General is presently facing problems relating to the meeting of deadlines governing the submission of audit returns. Ameh (2011) also pointed out that this in turn has to a large extent contributed to poor service delivery of Supreme Audit Institutions (SAIs) and downplays the importance of auditing practice as delayed audit reports negatively affect the lawmakers' ability to make sound and economically sustainable decisions regarding the channeling of public financial resources to productive sectors of the economy.

Zhou and Zinyama (2012) further observed insufficient legislative provisions in both the Constitution of Zimbabwe and the Audit Office Act (2009) which do not give the Auditor General powers to compel and prescribe penalties on errant ministries and departments who either delay or fail to submit returns for audit in contravention of Treasury Instructions and the requirements of the Public Finance Management Act (2009). They also highlighted that the country does not presently have legal instruments which the Auditor-General can use to enforce her audit recommendations.

### 2.1.2 Flight of skilled labour

McDevitt (2010) observed human capital handicaps in Botswana, Pakistan, Vietnam and Zambia where he noted serious deficiencies in the number of skilled manpower and the evident absence of basic auditing acumen in Supreme Audit Institutions (SAIs). In addition, Akhidime and Izedonmi (2012) stated that the success of public sector audit is also impeded by poor training and low auditing skills the regarding modern forensic techniques amongst staff of the Auditor-General in Nigeria when detecting and gathering sufficient evidence, and

to effectively discharge its mandate and monitoring and oversight role of ensuring that ministries and departments fully account for their actions to members of the public.

Zinyama (2013) further observed that the Office of the Auditor-General in Zimbabwe has experienced high staff turnover of skilled personnel mainly due to unattractive conditions of service and low remuneration compared with the private sector. He further stated that this has to a large extent mounted pressure on the available depleted staff establishment to cope with the huge volume of work involved when conducting audits of parastatals, line ministries and other public entities.

### 2.1.3 Shortage of resources

MacRae and Gils (2014) pointed out that lack of adequate financial and material resources severely restrict public sector auditing from achieving its predetermined goals and objectives. They further stated that audit activities must be sufficiently funded in tandem with the size of operations and audit responsibilities. The operational plan of Rwanda (2011-2015 p.6) further stated that lack of budget support results in poor service delivery, poor management of transaction costs and it should not be left under the control of the organization being audited because the budget impacts the audit activity's capacity to perform its responsibilities. The operational plan of Rwanda also highlighted that insufficient funding act as a significant barrier on the achievement of the public sector auditors' role of promoting accountability and transparency in the usage of public resources.

According to International Standards of Supreme Audit Institutions (ISSAI) 10, Offices of the Auditor-General are referred to as Supreme Audit Institutions (SAIs) in public sector auditing across the world. They should be equipped with sufficient and proficient human capita, adequate sources of funding, materials and equipment in order to prevent unnecessary interruption of the core audit function. ISSAI 10 also dissuades cabinet from engaging in the habit of controlling or directing access to these resources and SAIs should be granted

leverage to manage, allocate and properly administer their own budgets without any interference from outside the entity.

The strategic business plan Jamaica (2012-2015, p.21), pointed out that the Offices of the Auditor-General face operational predicament largely caused by insufficient financial and human resources. The Jamaica business plan also stated that the performance of human resources is profoundly intertwined to the lack of financial resources and has a negative bearing on the desired level of qualified staff that the department is able to offer lucrative employment contracts. According to Barrow et al (2011p.15), in Ethiopia inadequate tools of the trade such as infrastructure, computers, office furniture and stationery are constraints which have presently contributed to the slow-down of progress in the execution of audit tasks and missing of targeted deadlines for completion of audit work schedules.

Zhou and Zinyama (2012) further pointed out that the Audit Office activities are bankrolled from the coffers of Ministry of Finance and over the past years the budgetary allocation has been shrinking as a result of tight liquidity constraints in the country. In addition, the Audit Office strategic plan (2013-2015) corroborated the findings of Zhou and Zinyama when it stated that late or total failure by Treasury to release funds is a common headache to public sector auditors as most decision making regarding planning and implementation of audit strategies mainly depend on the immediate availability of sufficient funding to cater for audit related expenses and welfare of auditors.

ISSAI 1 further supports ISSAI 10 by asserting that SAIs shall have its equitable share of the national budget directly set aside within the confines of a country's parliamentary body and it would be ideal and in line with international best practices to give the SAI maximum discretion on how they want to use the allotted funds under an independent budget. ISSAI 1 also points out that this approach to a large extent enhances the financial independence of SAIs thereby promoting the generation of objective and credible audit reports.



#### 2.1.4 Constrained legislative framework

Zhou and Zinyama (2012) pointed out that Auditor-Generals who do not report directly to Parliament suffer serious effects on their operational independence. They also noted that, in countries such as Britain and South Africa, the Comptroller and Auditor-Generals submit their reports directly to the House of Assembly and in America Auditor General reports direct to Congress.

ISSAI 1 advocates for the direct tabling of the Auditor-General's report in Parliament. It states that every SAI shall be bestowed with clear legal power derived from a country's Constitution to determine the time when to report and publish its findings in any period which should not be less than a year to a parliamentary body and any other prescribed statutory body. Vesel (2015) stated that this will facilitate dialogue and raise awareness to the citizens of a country regarding whether the taxpayers' money has been applied for the purpose intended by lawmakers.

#### 2.1.5 Corruption

According to Akhidime and Izedonmi (2012), in Nigeria auditing corruption is will remain a major challenge of government auditors given that major corruption scandals are initiated from the top by politically connected high ranking government officials in the same breadth and gravity that fraudulent activities are perpetrated in private establishments. They further noted that government auditors seem to failing to craft meaningful audit methodology to counter corruption across government departments. In Toronto, the Auditor-General's operational budget (2015) indicated that the Audit Office is not only technically handicapped in the fight against corruption in public financial management, but also lack the needed cooperation of the parliament-the National Assembly in the fight against official corruption.

United Nations programme report (2012-2015; p.5) highlighted that public funds, as well as funds intended for aid and private investment flow to accounts of corrupt officials, beyond the reach of official seizure. It further stated that bribes are paid to win public contracts, to

avoid safety inspections, to bypass bureaucratic red tape and to ensure that criminal activities are protected from interference by police and other criminal justice officials.

In addition, the United Kingdom National Audit Office strategy (2015-2016 p.11) pointed out that corrupt tendencies have been observed from concerns raised by ordinary members of the public with regard to deficient public service, irregularity and impropriety in the distribution of social welfare benefits to orphans, people with disabilities and pensioners.

Ameh (2011) also revealed serious ineptitude by the house of representatives in the handling of queries of raised by the Office of the Auditor-General of Nigeria upon identification of fraudulent practices perpetrated by public officials and making recommendations to institutions responsible for enforcing law and order in the country. He noted the efforts made by the Auditor-General may not have served any useful purpose due to lack of willingness by the senate and national assembly to seriously take cognizance of recommendations in audit reports and up to this date a material number of audit recommendations have remained unattended by the national assembly. He further pointed out that, it is therefore not fair to entirely blame the Office of the Auditor-General for the delays in prosecuting corrupt officers especially given the high level of political bickering and jostling for power in local and national government elections leading to widespread corruption across the country.

## 2.2 Audit methodologies and their effect on the performance of Offices of the Auditor-General

According to faqeeh (2010), there are mainly three (3) audit approaches which can be used to conduct audit assignments, namely; Traditional auditing, Risk based auditing and Computerised auditing.

### 2.2.1 Traditional Audit approach

According to (Jiayi 2014, p.2), Traditional audit approach is an outdated audit method which just focused on the deficiencies in internal controls, and cases of non-compliance with policies, procedures and the country's regulatory requirements. Varun (2010) also noted that the traditional approach requires an auditor to examine 100% of manually generated payment vouchers or revenue earning receipt books, casting and tallying every transaction. He further pointed out that the main disadvantage of traditional audit approach is that it is time consuming, cannot be applied in the modern computerized environment and requires a relatively large number of auditors to carry out an audit assignment.

Byrnes et al (2012) also stated that traditional audit approach involves the collection and analysis of audit evidence and information provided by management on the functionality of internal controls. Stuiveling (2014) further supported Byrnes when she stated that traditional auditing focused much on long hours of audit planning and manual substantive testing of disproportionate paper-based samples extracted from raw data which were in most instances not a true representation of the whole population. She further pointed out that traditional auditing no longer meets the increasing demands of the 21<sup>st</sup> century where there is a marked growth in the production of data from the public sector as a result of e-government transactions.

### 2.2.2 Risk based audit approach

According to Ayagre (2014, p.54), risk based auditing is a fairly new way used to independently and objectively obtain evidence regarding each management assertion reflected in the financial statements in order to formulate an opinion and report on the degree to which the assertions have been implemented. He also stated that the method equips auditors with adequate information about a business and its environment.

Ayagre was further supported by Hematfar and Hemmati (2013) who stated that risk based auditing is a new approach which seeks to improve the quality and effectiveness of audits

through formulation of timely substantive tests which enhance the quality of audits in a short duration of time. They further pointed out that the method enables the auditor to properly identify high risk areas which if not addressed may derail the going concern status of an audit client and design adequate substantive audit procedures to reduce risk to acceptable levels thereby achieving reliability of audited financial statements through cost reduction of auditing activities.

In addition, the Canada Risk based audit plan (2014-2017, p.2) corroborates the assertions made by the previous authors by way of stating that the risk based audit approach entails that all government programmes, projects, activities, processes and policies are subjected to risk assessment through ranking in them in order of priority based on past audit coverage results, materiality and applying standardized audit methodology. The Canada risk based audit plan also highlighted the following advantages of risk based auditing; Better understanding of the business and its environment, increased chance of achieving audit objective, saves time and resources and makes audit planning easier.

### 2.2.3 Computerised auditing approach

According to Pedrosa and Costa (2012), there has been a paradigm shift in the auditing profession in order to adapt and align audit processes with current trends in most modern organizations whereby accounting systems are now riding on modern Information Technology (IT) environments. They pointed out that it has therefore been realized Computer Aided Audit Tools (CAATTS) should be utilized to support audit processes.

Chan et al (2011) stated that use of CAATTS was mainly necessitated by the need for auditors to find solutions to their emerging role which requires them to have competency in analysing and interpreting real-time computer generated data resulting from increased system connectivity and inter-system linkages among organizations and their clients and suppliers with whom they conduct daily business transactions.

Zhang et al (2012) also corroborated the ideas of Pedrosa and Costa and Chan et al through pointing out that for auditors to stay relevant they should redesign audit procedures to suit the requirements electronic accounting packages. They further observed that CAATTS constitute use of technology in the form of automated working papers and digital data standardisation that can be used by the auditor to perform audits and to assist in the timely completion of audit assignments. Kogan et al (2010) also added weight to the observations of previous authors by stating that the following advantages of CAATTS; Data analysis software can be helpful to detect fraudulent activities, manipulation of very large complex data records with no significant added costs and rapid speed in the testing of all transactions.

## 2.3 The role of audit committees

Arens et al (2013) defines an audit committee as a selected group of members of a company's board of directors appointed by shareholders to promote transparent financial reporting through creation of a separate reporting forum for both internal and external auditors to freely discuss audit reports findings. They further stated that the committee provides an independent review of financial reporting systems and the suitability of internal controls put in place by management.

According to Committee of Sponsoring Organisations of the Treadway Commission (COSO) (2010) study, incidences of fraud equally affect the public sector, companies charged with financial reporting other non-profit making organisations and hence, the advocacy and need to fully constitute and establish audit committees in government financial reporting systems.

The functions of audit committees are as follows;

### 2.3.1 To promote and enhance transparency of issues

According to Land (2014), in some instances issues raised by both internal auditors and those reported by the Auditor-General may implicate management in illegal financial dealings with

third parties. He further stated that such issues can be effectively handled by audit committees without interference from management and those charged with governance. This was also supported by King III report (2012) which stated that the audit committee should preside over reportable irregularities committed by management and ensure that decisive action is taken.

### 2.3.2 To receive and handle appropriately any concerns or complaints

Moran (2013) highlighted that customers and suppliers have a right report cases of fraudulent accounting practices, organizational crime and theft or abuse of an entity's material resources to the audit committee in order to minimize an organization exposure to financial losses. In addition, the Financial Reporting Council guidance (2012) stated that whistleblowers should be afforded an environment where they can raise in confidence possible improprieties taking place in a business entity for investigation and follow-up action by the audit committee.

### 2.3.3 To evaluate whether integrated financial reporting is being done transparently

King III report (2012) stated every year the audit committee should determine whether the finance function of the organization is sufficiently resourced with qualified, competent and experienced personnel and recommend for dismissal those persons who may no longer be suitable to remain in the employment of the organization. This was supported by Rickling (2014) who opined that an effective audit committee can be measured on its ability foster sound professional recruitment policies in organisations which allows the finance department to efficiently discharge its mandate.

### 2.3.4 To manage and come up with measures to identify and mitigate against risks

Levy (2015) highlighted that the audit committee should regularly conduct organizational risk assessments and design measures to safeguard business related information against sophisticated computer crimes and circumvention of internal controls in as far as they relate to financial reporting. This was supported by Mahamid and Saeed (2011) who pointed out

that management of risk has become paramount in the modern business environment given the advent advanced information technology systems which can be used to conceal fraudulent activities by dishonesty employees.

### 2.3.5 To report annually to shareholders/parliamentary bodies

According to Ejoor and Kingsley (2014), the audit committee should review and report to the board of directors, shareholders / parliamentary bodies the contents of annual audit reports and its views on whether management has exercised due diligence before committing the organization to long-term binding contracts with service providers. In addition, Aanu et al (2014) stated that reports on how the audit committee has performed its mandate and details of appointed independent external auditors should be transmitted during each financial year to the board of directors, shareholders/ parliament.

Section 84 (1-2) (a-c) of the Public Finance Management Act (2009) stipulates that every ministry, statutory fund, constitutional entity and public entity shall select and appoint suitable resource persons from the external environment who possess relevant exposure and work experience to form an audit committee whose responsibilities shall be;

To assess the functionality and adequacy of internal controls put in place in line ministries, parastatals and other public entities and craft timely strategies to counter any control weaknesses or shortcomings;

To ensure that those responsible for the preparation of government financial statements judiciously carry out their function timely in cognizance of the statutory reporting deadlines as pronounced in the Audit Circular No.1 of each year and the Public Finance Management Act (2009) and;

To review the performance of Internal audit departments, analyse and discuss reports of the Auditor-General with management of public institutions with a view of ensuring that

remedial and disciplinary action is taken against employees involved in acts of misconduct in accordance with the Auditor-General's recommendations

## 2.4 Effectiveness of CAG's Office in other countries

The following paragraphs briefly analyse the operational effectiveness of CAG's offices in India, Kenya, Zanzibar, Malawi, Bangladesh, Sri Lanka and Tanzania focusing on how they have dealt with similar challenges affecting the OAG in Zimbabwe;

### **India**

The Lok Sabha Secretariat report (2012) stated that PAC India in executing its oversight role on the application of public financial resources by ministries has carried out a number of independent performance evaluations of ministerial departments in government structures. PAC India observed that ministries were in the habit of making late submissions of accounts for audit and there was also reluctance by Accounting Officers to appoint audit committees which should be responsible for overseeing the preparation of annual financial statements. Pradesh, P (2013) pointed out that in order to bring sanity and financial discipline in the public sector the parliament of India resolved to enact legislation which permits the country's judicial system to press stiff penalties on Accounting Officers whose accounts are submitted late for audit and made it a mandatory requirement that all ministries should appoint audit committees.

### **Kenya**

Njuguna and Makau (2009) stated that the public accountability process in Kenya requires the Public Accounts Committee (PAC) to examine the annual audit report compiled by the Controller and Auditor-General (CAG) relating to local and central government expenditure incurred by line ministries and statutory fund accounts. Njuguna and Makau further noted that over the years PAC has observed delays in the tabling of Auditor-General's reports due



to numerous operational rigidities which include shortage of resources and restrictive legislation which does not allow the Auditor-General to table his reports directly in the house of assembly.

According to Wachira (2013), Kenya has implemented the principle of separation of powers between the legislature and the executive in order to promote public accountability and the meeting of statutory deadlines. He further stated that a budget law was formulated to allow the Auditor-General to apply for funding directly from parliament during the national budget process and granted complete discretion to the Auditor-General on the audit focus areas and to table his annual audit reports directly in parliament.

### **Zanzibar**

According to Zanzibar strategy (2010-2015), the oversight role of the House of Representatives has been ineffective over the years due to delayed reporting of budget utilization by all public institutions and incapacity of the Auditor-General to fight and prevent corruption. The strategy further stated that in order to counter these shortcomings, the government of Zanzibar has strengthened the Office of the Controller and Auditor-General (CAG) through provision of adequate separate budgetary support and enactment of laws which empower the CAG to enforce orders given to Accounting Officers on the need to strictly adhere to public financial management policies and regulations.

### **Malawi**

According to Loquai and klavert (2011), in Malawi the political disturbances which ruined the country in the year 2010 and almost brought government operations to a halt severely disrupted the function of the National Audit Office as a large number of skilled and experienced audit staff resigned from the Audit Office in search of greener pastures outside the country and this resulted in the Auditor-General's annual audit reports missing

parliamentary statutory deadlines. Loquai and Klavert further stated that the government of Malawi entered into bilateral agreements with German development cooperation, Norwegian embassy, DFID and USAID where financial aid was availed to bankroll and build capacity of the National Audit Office through running extensive training courses for staff members and the creation of a skills retention fund to augment the employees meagre salaries and guard against brain drain.

## **Bangladesh**

The Bangladesh country strategy (2011-2015) highlighted that the Office of the Auditor-General continues to face challenges of corruption, weak government systems and outdated traditional auditing methods which cannot cope with the increasing volume of work from a large number of ministries. To counter these challenges, the government has engaged the African Development Bank (ADB) to come up with intervention strategies through offering technical assistance training to the Audit Office in the form of dynamic auditing methods such as risk based auditing, computerized auditing and performance auditing.

## **Sri Lanka**

According to Sri Lanka National planning (2010) the budget of the SAI was mainly financed by Ministry of Finance and this has to a large extent compromised the role of SAI in promoting accountability and transparency in the management of public resources as it was not totally independent from the funding source. The parliament of Sri Lanka has enacted legislation which allows the Auditor-General to submit budget proposals direct to parliament and to retain 100% audit fees charged on government public entities and sole discretion to determine use of the funds.

## **Tanzania**

Lawson (2013) stated that the National Audit Office in Tanzania perennially suffered from shortage of resources which critically restricted audit coverage only to government departments located within urban areas thereby neglecting the examination of public expenditures incurred in remote area. In addition, the quality of audit reports was poor and submitted late to parliament. Lawson further stated that in order to counter these challenges, Development partners were engaged by the government to address capacity weaknesses through technical assistance during the period 2011-2012 and currently the National Audit Office has improved its audit coverage to all government institutions across the country using innovative audit techniques and timely and quality annual audit reports are being tabled and debated in parliament.

### **2.5 Capacitation of Office of the Auditor-General**

Below is an analysis of contributions made by previous authors regarding strategies which can be implemented to resolve challenges faced by Offices of the Auditor-General;

#### **2.5.1 Reward and motivation of staff**

McDevitt (2010) pointed out that both monetary and non-monetary rewards should be given a balanced consideration as they play a pivotal role on staff motivation as most employees have a greater appreciation basic remuneration and other allowances as significant motivating factors. He also emphasized the importance of non-monetary factors such as job security, career prospects and favourable working conditions and public servants should be sponsored to attend regular Continuous Professional Development (CPD) in order to sharpen their skills when dealing with the unique requirements of public sector accounting and auditing.

Zhou and Zinyama (2012) recommended that members of the public service transferred from the civil service to the Audit Office should be capacitated to afford a decent standard of living through improved conditions of service in order to ensure retention of highly qualified and

experienced auditors. They further pointed out that the Auditor-General should be made to attain a status of a reputable employer with the capacity to train and mentor auditors who should be seconded to external audit firms and other regional Supreme Audit Institutions (SAIs).

### 2.5.2 Strengthening of the legal framework

Zinyama (2013) stated that it is a fact that the independence of the Auditor-General is enshrined in the Constitution of Zimbabwe provides but there are some legal gaps in the available regulatory framework which need urgent revision in order to ensure the existence of real financial and operational independence of the Auditor-General in matters of budget formulation, recruitment of new employees and their remuneration. He also spelt out the need for the existence of an appropriate, effective legal framework which clearly demarcates the extent of the Supreme Audit Institution's independence from government, legislature and judiciary.

Akhidime and Izedonmi (2012) recommended that parliament and the executive should safeguard the tenure of office and independence of the Auditor-General through crafting laws which encourage constructive debate among politicians to desist from corruption and react swiftly and unequivocally on issues that are perennially raised in the Auditor-General's reports. They also pointed out that in addition to the above remedies, the Auditor-General should also be armed with freedom to decide on the content and timing of audit reports and to decide on when to publish and disseminate them.

According to Vesel (2015), accountability and transparency in the use of public funds can only be attained if the Auditor-General is endowed with broad powers to investigate and issue out special reports on corruption and inefficiencies abound in government administration. He also stated that there should be laws advocating for the adoption of International Standards on Auditing (ISAs). He further stated that protective laws which grant immunity to the Auditor-

General should also be enacted in order to enable the Auditor-General to execute his or her functions without fear or favour thereby promoting a culture of honesty and credibility in the collection and application of revenue inflows to achieve the good of the generality of a country's population.

### 2.5.3 Mobilisation of resources

According to Kosmo (2012, p.6), Supreme Audit Institutions (SAIs) require strengthened capacity to be able to meaningfully engage in strategic partnerships with external stakeholders and make a sound impact in the whole spectrum of public sector governance. He also stated that it is necessary for SAIs to develop and disseminate awareness to parliamentarians, civil society organizations and donor staff to understand SAI reports and use them effectively. Kosmo believed that such an arrangement would facilitate the creation of a conducive reporting structure and expedite the tabling of the Auditor-General's annual audit reports.

Wiklicky (2014) stated in his presentation that the United Nations Resolution (A/66/209) strongly advocates for financial and administrative autonomy, availability of appropriate competent human capital and separated budgetary resources from the rest of the government machinery in order to place SAIs in its rightful position where it should be capable of providing objective assessments of the legality of each country's public revenue and expenditure. He also made it quite clear that strengthening of Supreme Audit Institutions (SAIs) improves public confidence in the quality and content of published audit reports.

## 2.6 Chapter summary

This chapter looked at constraints which cause delays in tabling annual audit reports of the Auditor-General, audit methodologies and their effect on the performance of Offices of the Auditor-General, the role of audit committees, effectiveness of the CAG's office in other countries, capacitation of Office of the Auditor-General and chapter summary.

## CHAPTER THREE

### RESEARCH METHODOLOGY

#### 3.0 Introduction

This chapter focused on methods and procedures used in data collection for the purposes of gathering information in order to solve the statement of the problem. The methods included interviews and questionnaires to gather primary data. Through the above methods, the researcher managed to obtain information about challenges which limit the effectiveness of the Office of the Auditor-General in meeting the statutory deadline for tabling of the annual audit report. The chapter covered the research design, study population, sample size and sampling techniques, data sources, data presentation techniques, validity, reliability, data analysis and chapter summary.

#### 3.1 Research design

According to Urquhart (2013) the success of published works is mainly determined by how the research design has been formulated as it encompasses the selection of sampling and data collection methods which should be tailor-made to suit the discipline under study. He also stated that research design serves as a plan to specify structures for investigating evidence which helps in finding answers to research questions.

I shall adopt a qualitative approach in my study instead of the quantitative approach due to the fact that my research topic falls under the category of social sciences, the issues to be deliberated on relate more to quality than quantity and the qualitative approach is more intensive and flexible. However, I will apply a few elements of quantitative research since the questionnaire design, data analysis and interpretation involves figures and percentages.

## 3.2 Study population

The population of the study comprised top management of the Office of the Auditor-General, Finance Directors of large line ministries, officials of Public Accounts Committee (PAC) and Principal Auditors in the OAG. The research will be conducted through interviews and questionnaires.

According to Agarwal (2011), a population is a collection of all the elements which are under study and about which researchers would be trying to draw conclusions. The Office of the Auditor-General is stationed in Harare and it has 16 members of the top management, 12 large ministries out of a total 28 ministries, 10 officials of PAC and 14 principal auditors in the OAG. These will constitute the population in each category, meaning that a total of 52 people will constitute the total target population and 44 people will constitute the sample as shown in the table below;

### 3.2.1 Population, sample and sample design

<b>Respondent Group</b>	<b>Population</b>	<b>Sample</b>	<b>% Sample to population</b>	<b>Data collection method</b>
Top management of OAG	16	14	88%	Interviews
Finance Directors of large Ministries	12	10	83%	Questionnaires
Officials of PAC	10	9	90%	Interviews
Principal Auditors of OAG	14	11	79%	Questionnaires
<b>Total</b>	<b>52</b>	<b>44</b>	<b>85%</b>	

Table 2: Sample size

### 3.3 Sample size and sampling techniques

Monga (2011) asserted that a sample size should be derived from a defined and agreed population so that effective sampling techniques can be applied based on factual observations which the researcher should be able to give convincing justifications in the event of arguments by other academicians. I applied a random sampling approach on the target population in order to obtain unbiased representation of views and attain gender balance from the following four (4) targeted categories; Top management of OAG, Finance Directors of ministries, PAC officials and selected principal auditors in the OAG with at least two (2) years public sector auditing experience.

### 3.4 Data sources

#### 3.4.1 Primary data

Denzin and Yvonna (2011) highlighted that primary data originates from source documents and is gathered and collected by researchers from the field, that is, from the target population. The data sought was used to evaluate and analyse the factors that limit the effectiveness of the Office of the Auditor-General in the delivery of its mandate. Primary data collection was considered important to this study because data collected was current and relevant such that conclusions drawn were reliably representative of the study area as well as of the particular time period it was collected using primary data collection methods and research instruments.

### 3.5 Primary data collection methods and research instruments

Self-administered questionnaires and in-depth interviews were the main sources of primary data collection methods that were employed in this research and two research instruments, namely interviews and questionnaires were jointly used to act as bases on which data analysis was conducted.



### 3.5.1 Types of questions

Smith and Albaam (2010) stated that there are two types of questions which can be applied in drafting a questionnaire, namely, open-ended and closed-ended questions. This was also supported by IPMZ research methods (2010) which highlighted that open-ended and closed-ended questions are essential in gathering balanced views of respondents on a subject matter.

### 3.5.2 Open-ended questions

Krosnick and Presser (2010) opined that more weight could be added to questionnaires through effective use of open-ended questions as respondents are able to unilaterally apply their range of the mind in an uncontrolled manner. Hence, I shall utilize a number of open-ended questions in my study in order to avoid suppressing new ideas from respondents. However, I will closely monitor the degree of expression to avoid losing focus of the research as some respondents may deliberately shift the discussion to suit their own divergent interests.

### 3.5.3 Closed-ended questions

I shall also utilize closed-ended questions to rapidly gather data through use of ‘Yes’ or ‘No’ questions. Each response shall be evaluated using the 5 point Likert scale which signifies the following rating scales; Strongly agree (5), Agree (4), Uncertain (3), Disagree (2) and Strongly disagree (1). The Likert scale would be very convenient in my research given the available short timeframe. Therefore, given the above-mentioned two different types of questions, I shall use both closed-ended questions and personal interviews in order to expeditiously gather adequate information within the timeframe prescribed for the research. The table below illustrates the Likert scale;

<b>Strongly Agree (SA)</b>	<b>Agree (A)</b>	<b>Uncertain (U)</b>	<b>Disagree (D)</b>	<b>Strongly Disagree (SD)</b>
5	4	3	2	1

*Table 3*

### 3.5.4 Personal interviews

I will complement the use of questionnaires with face to face interviews with management of the Office of the Auditor-General, Finance Directors of line ministries and officials of the Public Accounts Committee (PAC) largely this category of the selected sample normally engage in busy schedules and may not find time to objectively respond to my questionnaires. The use of interviews will enable me to have the necessary opportunity to interact directly with interviewees and clarify to them seemingly ambiguous questions to enable them to gain an appreciation and understanding of the subject matter. In addition, I can also use follow-up questions to uncover some aspects of the research which may not have been fully addressed in the questionnaires.

### 3.6 Data presentation techniques

Kisber (2010) stated that in order for data to provide meaning to a variety of users it must be presented in a user friendly manner to permit easier application and analysis by policy makers and other stakeholders. The researcher presented collected data in the form of graphs, tables and charts which showed all components and variables analysed in producing the intended results from different types of questions that were administered.

### 3.7 Validity

According to Frost (2011) the validity of research findings is determined by the extent to which measurements applied achieve the intended purpose. Therefore, I pretested my research instruments before carrying out full distribution in order to ensure clarity and validity. This enabled me to establish whether my questionnaire contained ambiguous questions which could hamper achievement of research objectives.

### 3.8 Reliability

Bryman and Bell (2011) defined reliability as the capability of a research instrument to reproduce similar results if repeatedly used over a period of time. The use of interviews on PAC officials and questionnaires to top management of the Office of the Auditor-General,

Finance Directors of large line ministries and Principal Auditors in the OAG enabled me to achieve a reasonable level of data reliability. Hence, I was able to obtain consistent results throughout the study.

### 3.9 Data analysis

According to Urquhart (2013) data analysis involves the systematic processing of data to arrive at a conclusion. The researcher managed to gather quantitative data from questionnaires and interviews which was then statistically analysed using percentages in order to ensure a logical and understandable interpretation of the research findings through use of effective data presentation techniques.

### 3.10 Chapter summary

The chapter highlighted the research methodology adopted by the researcher, details on the research design, study population, sample size and sampling techniques, data sources, data presentation techniques, validity, reliability, data analysis and chapter summary.

## CHAPTER FOUR

### DATA PRESENTATION AND ANALYSIS

#### 4.0 Introduction

This chapter presents, analyse and discuss the findings of the study. Presentation of results was done with the aid of tables, graphs and pie charts. The findings are based on the results from questionnaires and interviews. This chapter presents data first and then an analysis is given.

#### 4.1 Data analysis on questionnaires

Data obtained using questionnaires will be presented and analysed in this section.

##### 4.1.1 Questionnaire response rate

A total of 21 questionnaires were distributed and 19 responses constituting 90% were returned. The two questionnaires that were not returned were as a result of some officers being busy with their work assignments and could not find time to respond to the questionnaires within the timeframe in which the researcher needed to finalise his research study.

The following table gives an outline of the response rate of respondents.

**Table 4.1: Questionnaire response rate**

<b>Category</b>	<b>Questionnaires sent</b>	<b>Responses received</b>	<b>Response rate (%)</b>
Total	21	19	90%

A response rate of 50% on questionnaires is considered to be adequate, 60% as good, while 70% is observed as very good (University of Texas 2011). In the above figure, a response rate of 90% was obtained from the questionnaires sent out by the researcher on: Investigation into

factors which limit the effectiveness of the Office of the Auditor-General in meeting the statutory deadline for tabling of the Auditor-General’s annual audit report.

### **Questionnaire analysis**

#### **Question 1**

##### **Which institution do you work for?**

The following table captures institutions from which respondents were identified.

**Table 4.2: Institutions from which respondents were selected**

	Audit Office	Ministries	Total
Responses	10	9	19
Percentages	53%	47%	100%

*Table 5: Institutions from which respondents were selected.*

From table above, it can be seen that 10 people from the Office of the Auditor-General constituting 53% responded to the questionnaires while 9 people employed by ministries also responded representing 47% of the identified sample. The sample enabled the researcher to come up with balanced views from both parties who share different responsibilities regarding the publication and tabling the Auditor-General’s annual audit report.

#### **Question 2**

##### **What is your gender?**

The following table gives an analysis of the gender balance of the selected sample.

**Table 4.3: Gender mix of the respondents**

	Male	Female	Total
Responses	8	11	19
Percentages	42%	58%	100%

The table above shows the gender composition of the sample. 8 males representing 42% of the sample responded while 11 females representing 58% of the sample also responded. This assisted the researcher to achieve reasonably unbiased views.

**Question 3**

**You have been employed in this institution for how long?**

The following table gives details of the working experience of respondents.

**Table 4.4: Experience of respondents in the public sector**

	More than 20 years	15-20 years	10-15 years	5-10 years	1-5 years	Less than 1 year	Total
Responses	3	5	4	7	-	-	19
Percentages	16%	26%	21%	37%	-	-	100%

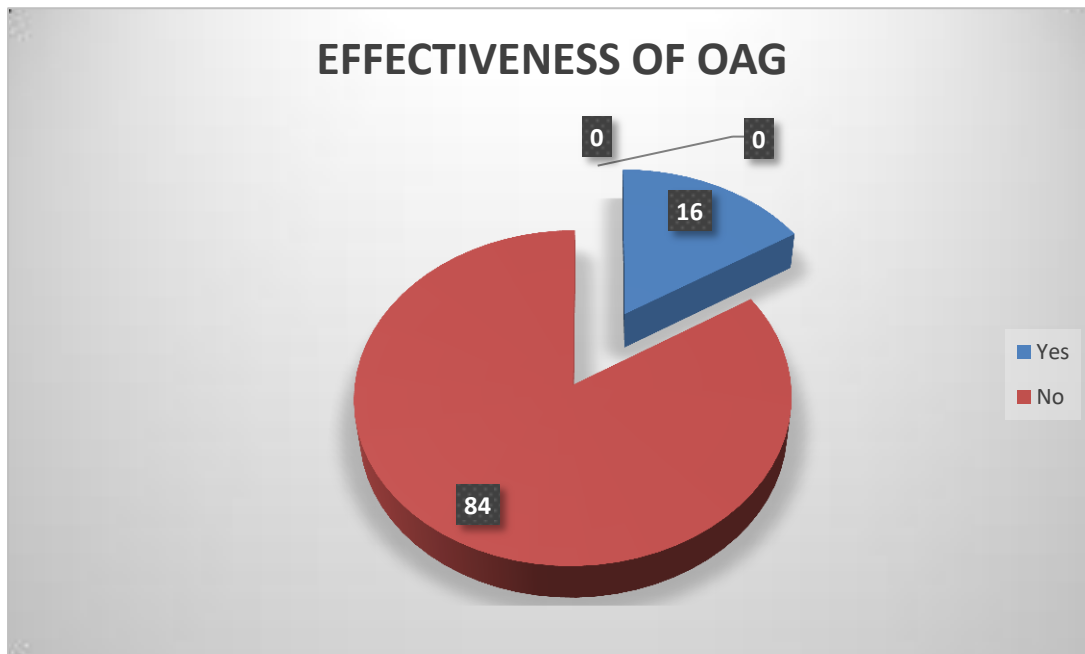
From the table above, it can be seen that the majority of the respondents who constituted 37% of the respondents had work experience of between 5-10 years and 26% possessed 15-20years experience in the public sector and other few responses were given by those 10-15 years and more than 20 years categories.

#### Question 4

#### Is the Office of the Auditor-General effective in delivering its mandate?

The following figure gives an analysis of the respondents' views on the effectiveness of the OAG.

Figure 4.1: Effectiveness of the OAG



From figure 4.1, it was observed that 16 respondents representing 84% of the sample indicated that the OAG was not effective while 3 people representing 16% indicated that the OAG was effective. The findings concur with the position observed by Zinyama (2013) in which he highlighted that government corruption has gone on unabated resulting in the criticism of the OAG by the public and civil society for being inefficient and ineffective in the discharge of its duties.

## Question 5

**In your view to what extent have late submission of accounts and returns for audit, flight of skilled labour, shortage of resources and constrained legal framework contributed to delays in the tabling of the Auditor-General's annual audit report?**

The figure below illustrates the views of respondents with regard to the constraints which limit the effectiveness of OAG.

**Figure 4.2: Constraints which limit the effectiveness of the OAG**

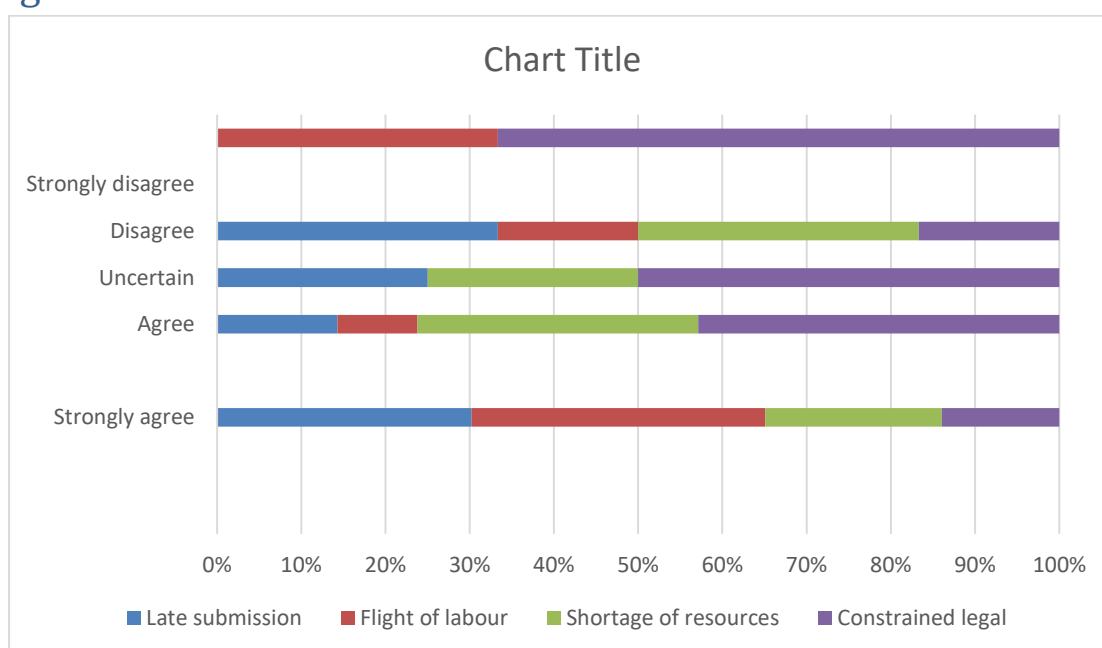


Figure 4.2 above, shows combined totals of respondents who either agree or strongly agree that the following constraints limit the effectiveness of the OAG; late submission of accounts and returns for audit (84%), flight of skilled labour (89%), shortage of resources (84%) and constrained legal framework (79%). This analysis proves that more than three quarters of the respondents were in agreement with research findings of the Lok Sabha Secretariat report (2012) and Loquai and Klavert (2011) researches which pointed out that these factors contribute to delays in the tabling of the AG's annual audit report.



### Question 6

#### **Audit committees play a significant role in public sector financial reporting**

	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree	Total
Responses	17	2	-	-	-	19
Percentage	89%	11%	-	-	-	100

#### **Table 10: Role of audit committees in the public sector**

Figure 7 above shows that 89% of the respondents strongly agree that audit committees play a significant role in public sector financial reporting while 11% generally agree.

### Question 7 and 8

#### **According to your experience which audit methodology is used by the OAG and how does it affect the meeting of the statutory deadline?**

The figure below gives an analysis of the audit methodologies used by the OAG.

Figure 4.3: Assessment of audit methodologies used by the OAG

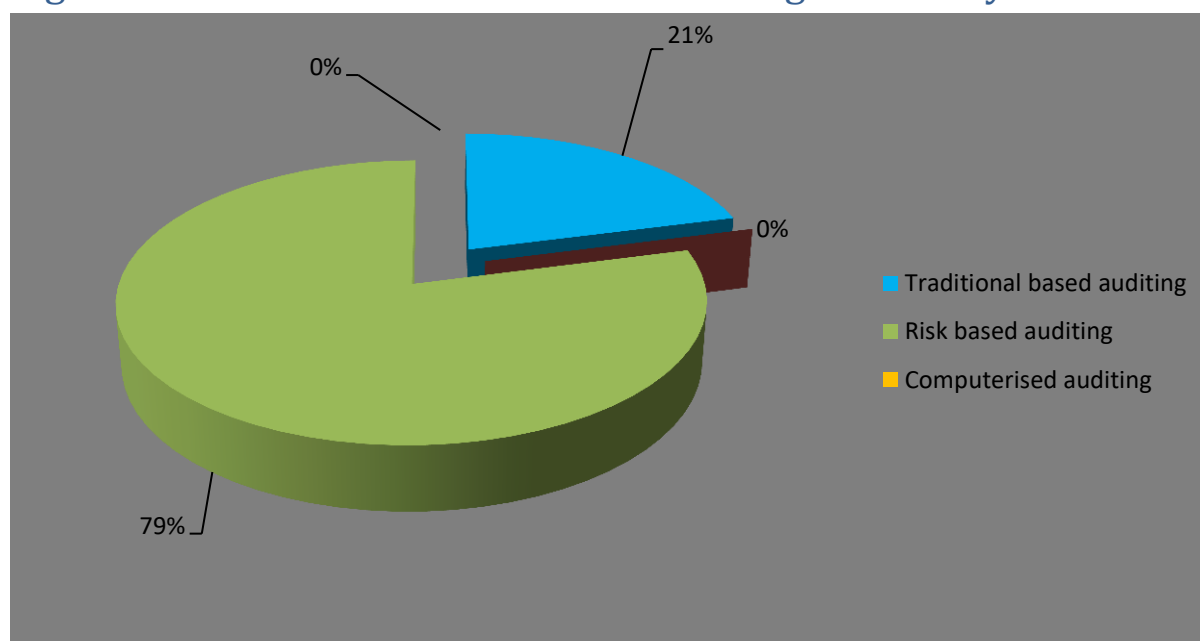


Figure 4.3 above shows that 79% of the respondents indicated that the Office of the Auditor-General uses a Risk based auditing approach, while 21% stated that the OAG uses the traditional auditing approach and none indicated the use of computerized auditing by OAG. Although the risk based audit approach enables the OAG to concentrate audits on high risk areas it does not provide much assistance in computer based transactions. This adequately support the findings of Pedrosa and Costa (2012) who argued that modern trends in the auditing practice should move in tandem the present dynamics with Information Technology (IT).

### Question 9

**In your own opinion, can the Office of the Auditor-General be capacitated through the following ways; separate budget, granting of legal power to the Auditor-General, appointment of audit committees, legislative provisions to set stiff penalties on Accounting Officers, enactment of a statutory instrument, 100% retention of audit fees and setting up a skills retention fund.**

The following figure gives an illustration of the ways in which the OAG can be capacitated.

Figure 4.4: Ways in which the OAG can be capacitated

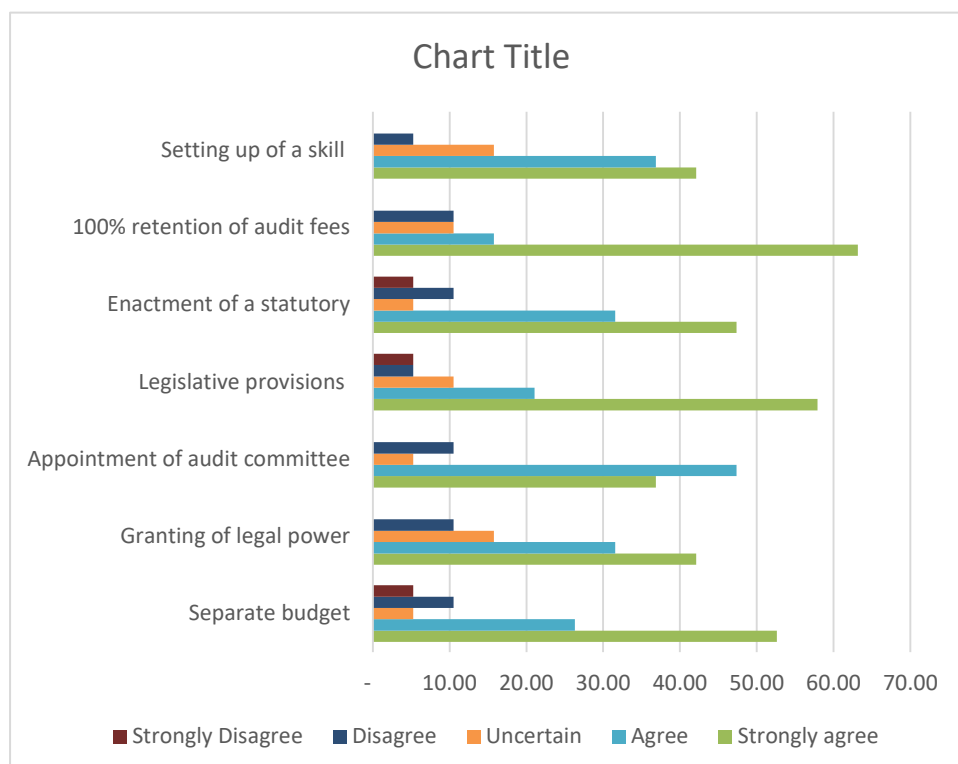


Figure 4.4 above, shows combined totals of respondents who either agree or strongly agree that the following mechanisms can be put in place to capacitate the OAG; separate budget (79%), granting of legal power to the AG (74%), appointment of audit committees (84%), legislative provisions (79%), enactment of a statutory instrument (79%), 100% retention of audit fees (79%) and setting up a skills retention fund (79%). This analysis proves that the OAG can be capacitated through the above-mentioned strategies as supported by Akhidime and Izedonmi (2012) who recommended parliament to enact laws which enhance the effectiveness of the OAG and Wachira (2013) who advocated for the granting of a sustainable separate budget to the OAG.

## 4.2 Data analysis on interviews

Data obtained using questionnaires will be presented and analysed in this section.

### 4.2.1 Interviews response rate

A total of 23 interviews were scheduled with top management of OAG and PAC officials. However, only 17 interviews were successfully carried out representing 74% and 6 interviews representing 26% could not be held due to busy schedules and tight commitments of other targeted senior members of top management and key members of the Public Accounts Committee.

Category	Scheduled interviews	Interviews successfully carried out	Response rate (%)
Total	23	17	74%

**Table 13: Interview response rate**

#### **Question 1**

**What do you think are the factors which limit the effectiveness of the Office of the Auditor-General?**

The respondents singled out lack of financial and operational independence as constraints which contribute to the ineffectiveness of the OAG as supported by Wiklicky (2014) who argued that SAIs need to be strengthened through administrative and financial leverage. The interviewees showed consensus that the OAG has been operating at less than full capacity.

#### **Question 2**

**What are the sources of funding for the Audit Office?**

The respondents concurred that the Office of the Auditor-General is funded by budgetary support granted by Ministry of Finance. Although it is legally allowed to charge audit fees on parastatals and other public entities, not enough revenue is being collected as a majority of these government entities are facing critical cash flow challenges leading to financial handicaps in settling audit fees. This was supported by Sri Lanka National planning (2010)

which pointed out that AG's office in Sri Lanka had been incapacitated through significant dependence on Treasury support.

### **Question 3**

**How do you view the suitability of audit methodology used by the Office of the Auditor-General?**

The respondents indicated that the Office of the Auditor-General recently switched to the risk based audit approach from the traditional based auditing in an attempt to ensure that audit assignments are completed within the prescribed timeframes. This was supported by Hematfar and Hemmati (2013) who highlighted that risk based auditing addresses the shortcomings of traditional auditing approaches. The OAG intends to adopt computerized auditing in the near future, however funds to purchase the necessary audit software is not readily available.

### **Question 4**

**In your own opinion are audit committees relevant in public sector financial reporting?**

The respondents agreed that audit committees enhance public financial reporting as they complement the oversight role of OAG of bringing transparency and accountability in public sector operations. This concurs with Arens et al (2013) who stated that audit committees fundamentally keep an oversight on the transparency of key management personnel in financial operations of organisations.

### **Question 5**

**What strategies would you recommend to improve the capacity of the Audit Office?**

The respondents concurred that the OAG is a watchdog of parliament in the elimination of financial indiscipline in public financial affairs. Therefore, OAG should be given priority

when formulating national budgets to restore investor confidence in government systems and attract foreign direct investment. This concurs with the recommendations made by the Mexico and Lima declarations (ISSAIs 1 and 10).

### 4.3 Chapter summary

The chapter presented and analysed data from primary sources namely questionnaires and interviews carried out by the researcher using tables, graphs and pie charts. It has been noted that research findings corroborated evidence gathered by previous authors on factors which have negatively affected the performance of Offices of Auditor-General in other countries. The next chapter will now give a summary, conclusions and recommendations on the strategies which can be implemented by the OAG to improve its effectiveness.

## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATIONS

#### 5.0 Introduction

This chapter focuses on the summary, conclusions and recommendations that are drawn from the research findings. It will establish the extent to which the objectives of the study would have been addressed and will prove or disapprove the research proposition. The objective of this chapter is thus to give concluding remarks and recommendations on the way forward in dealing with issues raised in the research. A set of recommendations will be given on ways in which the Office of the Auditor-General can be capacitated.

#### 5.1 Summary

The study sought to make an evaluation of the factors which limit the effectiveness of the Office of the Auditor-General in meeting the statutory deadline for tabling of the Auditor-General's annual audit report.

Chapter 1 looked at background of the study, which highlighted the existence of constraints which need to be addressed in order to improve the effectiveness of the Office of the Auditor-General. It also discussed the objectives, the research questions, delimitations and limitations of the study. The chapter concludes by giving the definitions of terms and acronyms used in the study.

Various literature were reviewed relating to identification of factors which contribute to delays in the tabling of the Auditor-General's annual audit report. The researcher used journals, books and the internet as sources for gathering views of other previous authors on the research topic.

A descriptive research design was used for this study, while questionnaires and interviews were the suitable primary research instruments. A combination of qualitative and quantitative research were carried out in the study and the validity and reliability of the research instruments were ascertained. The target population of the study comprised top management of the Office of the Auditor-General, Finance Directors of large line ministries, officials of Public Accounts Committee (PAC) and Principal Auditors in the OAG. The chapter also explored the ways in which qualitative and quantitative data was processed and analysed.

Raw data was processed, analysed and presented as percentages and as numbers. A combination of tables and figures was used for the data obtained through questionnaires and interviews carried out. The questionnaire response rate was 90%, while the interview response rate was 74%. The majority of respondents, 84% and above either strongly agree or agree that Office of the Auditor-General has not been effective in delivering its mandate due to a number of factors which need to be addressed.

## 5.2 Major findings

A closer analysis of the performance of the Office of the Auditor-General over the period 2010-2013 revealed that the OAG has not been effective in ensuring the timely reporting to parliament of application/misapplication of public resources by Accounting Officers. This has been caused by a combination of factors which among others include; late submission of accounts and returns for audit, flight of skilled labour, shortage of resources, constrained legal framework, delayed appointments of audit committees in ministries and lack of computerized audit methodology.

Firstly, Accounting Officers have frequently been late in submitting accounts and returns for audit in contravention of the requirements of the Public Finance Management Act (2009) as read together with Audit Circular number 1 of each year which require these accounts to be



submitted on or before February 28 in order to enable the OAG to meet the June 30 deadline for tabling of AG's annual audit report.

Secondly, skilled and experienced lower level auditors and audit assistants have left the OAG due to low salaries in search of greener pastures locally and outside the country. Therefore, the OAG has been continuously recruiting and training new staff members thereby causing some delays in the actual execution of audit assignments. This has also been exacerbated by lack of audit software to expedite timeous completion of audit assignments. Hence, this has also significantly contributed to delays encountered by the OAG in meeting the prescribed statutory deadline of June 30 for tabling of the annual audit report as prescribed by the Audit Office Act (2009).

Thirdly, the OAG has no capacity to apply for funding directly to parliament and heavily depend on the Ministry of Finance for funding to finance the core functions of the OAG and remuneration of staff members. This has resulted in the OAG not being able to carry out regular mandatory audit inspections of remote government departments.

Fourthly, the AG is restricted by section 12 of the Audit Office Act (2009) from tabling her report directly in parliament as that function is bestowed on either the Minister of Finance and Economic Development or Speaker of parliament. In addition, Accounting Officers are taking too long to appoint Audit Committees in violation of section 84 of the Public Finance Management Act (2009). It has been observed that such practices do not promote adequate transparency in public financial management.

### 5.3 Conclusion

Therefore, having gathered these research findings, it can be underscored that the incapacity of the OAG to table public sector annual audit reports on time has far reaching negative consequences in terms of achieving transparency in the way government annual voted funds

are used by Accounting Officers. Members of the public are interested in knowing whether public funds have been actually used for the purpose intended by parliament.

## 5.4 Recommendations

It is recommended that parliament must consider enacting legislation which permits the OAG to apply directly to parliament for a separate budget every year to finance its operations in accordance with the requirements of Mexico and Lima declarations prevailing in other Supreme Audit Institutions (SAIs) in the region. In addition, parliament must consider granting legal power to the Auditor-General to table her reports directly in parliament instead of reporting through the Minister of Finance or Speaker of parliament as this causes delays in financial reporting.

Furthermore, parliament must enforce the appointment of Audit committees in ministries in accordance with section 84 (1) of the Public Finance Management Act (2009) in order to strengthen governance in the public sector and legislative provisions which set stiff penalties on Accounting Officers who submit accounts and returns late for audit as this delays completion of public sector audits leading to delayed tabling of the OAG annual audit report.

Lastly, parliament must consider granting power to the Auditor-General to retain 100% revenue collected from audit fees charged on parastatals and sole discretion of the AG to use the funds and Treasury must facilitate the setting up of a skills retention fund in the OAG for the purposes of incentivizing skilled and experienced personnel to guard against brain drain.

## 5.5 Area of further research

Having investigated factors which limit the effectiveness of the Office of the Auditor-General in delivering its mandate, the researcher is of the view that further research needs to be conducted on the suitability of the current OAG organizational structure given the expanded mandate which now requires OAG to carry out audits of local authorities in addition to the usual appropriation accounts, parastatals and other constitutional entities audits.

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## APPENDIX A

### COVER LETTER

Midlands State University

Bag 9055

Gweru

20 April 2015

The Auditor-General

Office of the Auditor-General

Corner George Silundika/ Fourth Street

Harare

Dear Madam

#### **RE: RESEARCH PROJECT ASSISTANCE**

I am a final year student at Midlands State University, pursuing a Bachelor of Commerce Accounting Honours Degree. As part of the prerequisite of the programme I am supposed to carry out a research project in partial fulfilment of the degree.

My research topic is entitled “ **An investigation into factors which limit the effectiveness of the Office of the Auditor-General in meeting the statutory deadline for tabling of the annual audit report (2010-2013)**”.

I particularly desire to obtain responses from the Office of the Auditor-General, line Ministries and the Public Accounts Committee (PAC). I look forward to your assistance in

data gathering in respect of the above-stated research area by answering the attached questionnaire. Information gathered shall be used for academic purposes and will be treated with utmost confidence.

Thank you in advance for your cooperation.

Yours faithfully

Edward Mandeya (R123513P)

Approved/Not approved

.....

For: **The Auditor-General**

**Official stamp**



## APPENDIX B

### QUESTIONNAIRE

AN INVESTIGATION INTO FACTORS WHICH LIMIT THE EFFECTIVENESS OF THE OFFICE OF THE AUDITOR-GENERAL IN MEETING THE STATUTORY DEADLINE FOR TABLING OF THE AUDITOR-GENERALS' ANNUAL AUDIT REPORT

Respondents are asked to complete the questionnaire in applicable areas and maintain confidentiality by not citing their name.

#### Guidelines for completion of questionnaire

Please mark the appropriate box with an (X) and where appropriate give your opinion for the open ended questions using the following Likert scale.

Write comments legibly with block letters where necessary.

<b>Strongly Agree (SA)</b>	<b>Agree (A)</b>	<b>Uncertain (U)</b>	<b>Disagree (D)</b>	<b>Strongly Disagree (SD)</b>
5	4	3	2	1

1. Which institution do you work for?

Audit Office  Ministry

2. What is your gender?

Male  Female

3. You have been employed in this institution for?

More than 20 years  15-20 years  10-15 years  5-10 years

1-5 years  less than 1 year

4. Is the Office of the Auditor-General effective in delivering its mandate?

Mark as appropriate (X)

YES  NO

The delays encountered in the tabling of the Auditor-General’s annual audit reports can be attributed to a number contributory factors.

5. In your view to what extent have the following constraints contributed to delays in the tabling of the Auditor-General’s annual audit report?

<b>Constraint</b>	<b>Strongly Agree</b>	<b>Agree</b>	<b>Uncertain</b>	<b>Disagree</b>	<b>Strongly Disagree</b>
Late submission of accounts and returns for audit					
Flight of skilled labour					
Shortage of resources					
Constrained legal framework					

Section 84 (1) of the Public Finance Management Act [Chapter 22:19] requires every ministry to establish an audit committee. However, all ministries have not complied with this requirement.

6. Audit committees play a significant role in public sector financial reporting.

<b>Strongly Agree</b>	<b>Agree</b>	<b>Uncertain</b>	<b>Disagree</b>	<b>Strongly Disagree</b>

The auditing practice is dynamic and should respond to changes in the audit client accounting environment. Audit methodologies determine the ability of public auditors to conduct and complete audit assignments within prescribed timeframes.

7. According to your experience which audit methodology is used by the Office of the Auditor-General?

Mark as appropriate (X)

Traditional approach	Risk based auditing	Computerised auditing

8. How does this audit methodology affect the meeting of the statutory deadline?

Briefly explain your answer:

.....

.....

.....

.....

.....

The Office of the Auditor-General is very integral in promoting sound public sector governance, transparency and accountability in public financial administration.

9. In your own opinion, how can the Office of the Auditor-General be capacitated?

<b>Capacitation</b>	<b>Strongly Agree</b>	<b>Agree</b>	<b>Uncertain</b>	<b>Disagree</b>	<b>Strongly Disagree</b>
Separate budget approved by parliament and lobbying for donor support					
Granting of legal power to the Auditor-General to table her reports directly in parliament					
Appointment of audit committees in ministries in accordance with section 84 (1) of the Public Finance Management Act [Chapter 22:19].					
Legislative provisions to set stiff penalties on Accounting Officers who submit accounts and returns late for audit.					
Enactment of a statutory instrument which upholds the enforcement of the Auditor-					

General's orders.					
100% retention of audit fees charged on parastatals and sole discretion of the Auditor-General to use the funds.					
Setting up of a skills retention fund.					

**Thank you very much for taking part of your precious time to complete this questionnaire.**

Date completed.....

## APPENDIX C

### PERSONAL INTERVIEW GUIDE FOR INTERVIEWS

AN INVESTIGATION INTO FACTORS WHICH LIMIT THE EFFECTIVENESS OF THE OFFICE OF THE AUDITOR-GENERAL IN MEETING THE STATUTORY DEADLINE FOR TABLING OF THE AUDITOR-GENERAL ANNUAL AUDIT REPORT

1. What do you think are the factors which limit the effectiveness of the Office of the Auditor-General?
2. What are the sources of funding for the Audit Office?
3. How do you view the suitability of audit methodology used by the Office of the Auditor-General?
4. In your own opinion are audit committees relevant in public sector financial reporting?
5. What strategies would you recommend to improve the capacity of the Audit Office?