



MIDLANDS STATE UNIVERSITY

DEPARTMENT OF ACCOUNTING

**AN INVESTIGATION ON THE ROLE PLAYED BY THE INTERNAL AUDIT
FUNCTION ON THE SURVIVAL OF BANKS IN THE ZIMBABWEAN BANKING
SECTOR, A CASE STUDY OF ZB FINANCIAL HOLDINGS.**

BY

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I Mutara Kudzanai declare that this research project herein is my own piece of work and has not been copied from any source without the acknowledgement of the source.

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DEDICATION

This dissertation is dedicated to my parents, Edmore and Claris Mutara who always supports me, my sister Tsitsi Mutara, Priscilla Matsika, uncle Simbarashe Chikuni, as well as Misheck Mutara who all have always remained my source of inspiration.

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ABSTRACT

This study focused on the role of Risk Based Internal Audit (RBIA) approach on assurance of enterprise wide risk management to ensure survival of banks in Zimbabwe a case study of ZBFHL. This enabled an investigation of the impact of Risk Based Internal Audit Approach on assurances of enterprise risk management to guarantee survival of banks in Zimbabwe. The research adopted a mixed research approach which used both qualitative and quantitative research with a view of getting information that explained the existing phenomena. The target population was 100 employees of ZBFHL and data was obtained from 71 of them. The study used stratified sampling technique in coming up with the samples Primary data was collected using questionnaires that were self-administered because of the quantitative aspect of the research and also interviews were used to gather data also because the study had a qualitative research. Quantitative data was analysed using the regression model. The study found a significant positive relationship between RBIA and bank survival. From the interviews the study found out that RBIA assurances provide guarantee of bank survival by ensuring good enterprise risks management processes, it was also discovered that RBIA faced challenges of lack of , resources and lack of risk appetite awareness affected the assurances through RBIA. The study recommended that management of ZBFHL should enhance the use of RBIA and ensure the audit function is fully funded to provide training to improve the skills required for the use of RBIA to improve assurances on enterprise risk management processes to guarantee bank survival.

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List of Abbreviations

RBIA- Risk Based Internal Audit

IA - Internal Audit

ZBFHL- Zimbabwe Financial Holdings Limited

ZBA - Zimbabwe Bankers Association

CIA- Certified Internal Auditor

ICSAZ- Institute of Chartered Secretaries and Administrators in Zimbabwe.

Chapter 1

1.0 Introduction

This research made a strong input on the part played by the internal audit to guarantee survival of banks in the Zimbabwean banking industry. Notable researches (Coetzee and Lubbe 2012), (Azharudin 2016), (Ayagre 2014), (Awdat 2015), (Lien-wen et al 2015), and (Rijamampianina 2016) all agree that, Internal Audit (IA) should understand organizations' key risks and proactively identify emerging risk in order to add value, IA need to focus on risk-based internal audit for assurance on risks to ensure survival of banks. However on the other hand (Ndlovu et al 2013), Mikael (2013), (Lipunga 2014), (Gamage et al 2014), (Dhliwayo 2015), (Dzomira 2015), (Nartey et al 2014) brought a different opinion giving out that internal audits need to focus more on compliance/controls based audits and not risk based audits to be able to determine whether all regulations and controls procedures are met in banking operations which will ensure the survival of banks in their highly regulated sector.

In light of the above contentions the study was convinced that there was a dearth in the studies that had investigated the effect of IA approaches on bank survival in a country where there are unfavorable economic conditions, inflationary trajectories and liquidity crisis, hence the need for this current empirical study. Therefore, it was the aim of this research to remedy this by investigating the impact of using risk based internal audit approach at Zimbabwe financial holdings limited (ZBFHL) to ensure survival of the bank in the current unfavorable economic conditions in Zimbabwe.

1.1 Background of Study

Failure of banks are a phenomenon that have happened in economic histories of many nations, and Zimbabwe is one (Dzomira 2015). 20 bank failures have been experienced since 1980 in Zimbabwe, (The Zimbabwe Independent, Ngwira, 2015). (Dhliwayo 2015) says the banks have faced many challenges the major one being deep-rooted risk management failures and recommended the use risk based internal audit approach. At Zimbabwe Financial Holdings Limited the audit function since inception in 1951 it has been carrying out a compliance/controls based audit approach which does not give the assurance to risk management processes. (Awdat 2013) denounces compliance audit approach arguing that it is inadequate for risk assessment and it does not play the assurance role on risks and this affects the survival of firms if risk management processes are not properly reviewed and evaluated. The KING III code of corporate governance also stipulates that boards should put in place an effective RBIA function (ZBFH Audit Review, 2016), shows that at ZBFHL there is use of compliance based audit approach and this is in violation of the current KING III code of corporate governance.

(The ZBFHL meeting minutes, 2016), indicate that the old mutual group chief internal auditor emphasized the need for IA to use RBIA over the old traditional approaches. This study identified the problems with compliance based audit approach at ZBFHL, some areas audited are classified as low risk in the internal audit reports and to be of no threat to survival of the bank yet these are high risk areas like the ZBFHL non-performing loans portfolio which keeps growing yearly as shown on table 1.1 below.

Table 1.1 –ZBFHL Non Performing Loan Structure and ITS Profits or loss.

| YEAR | Non-performing Loans | Profits/ loss on NPFL |
|------|----------------------|-----------------------|
| 2013 | \$17, 388 122.00 | (\$1, 731 869.00) |
| 2014 | \$43 ,346 720.00 | (\$9 ,807 953.00) |
| 2015 | \$28, 713 815.00 | (\$5,903 987.00) |
| 2016 | \$29 ,126 753.00 | (\$6, 079 000.00) |
| 2017 | \$25, 975 323.00 | (\$6 ,684 196.00) |

Source ZBFHL financial Statements (2013-2017)

The chairman of the board said level of non-performing loans (NPL) which trended solidly upward , from 1,8% as at December 2009 to an estimated average of 16 % as at 31 December 2013 , reached peak of 20,45% in September 2014 before declining to 15,91% in December 2015. This area remains high risk and no assurance is being given on the loan portfolio from the group internal audit function the bank keeps incurring losses ,in the long run survival of the bank will be impaired(annual general meeting 2017 held ZBFHL head office).

(The ZBFHL IA reports 2014-2017) for loan portfolios, the area was classified as low risky by the several audits done over the four years yet the bank still keep incurring losses through non-performing loans which keep growing and which have a high credit risk and this reduces chances of survival in the current unstable economic environment. (ZBFHL Financial Statements 2016) indicate that, issues loans (NPL), ZBFHL is influenced by guarantee given which is the security, audit is ignoring the inherent risk of inability to convert the gurantees to liquid form in an hostile industry. (Dhliwayo 2015) recommends that Non-performing loans should be risk assessed since they are factor in bank collapses. (The Board meeting minutes 2016) shows that the internal audit

is overlooking the risk presented by non-performing loans due to the audit approach being used thus the compliance based audit approach which only assess whether controls and procedures are being followed and whether repayments are being done but overlooking the risk inherent.

In light of the above this study need to find out the benefits of RBIA to guarantee survival of banks in Zimbabwe. More, specifically, the study seeks to determine the extent of use of risk based internal audit approach on giving assurance on wide enterprise risk management processes at ZBFH and on inherent risks of banking operations.

1.2 Problem Statement

The IA audit reports at Zimbabwe financial holding are mainly focusing on fault finding on past events and adherence to set controls due to the use of a compliance based/controls based audits. They are not proactive on emerging risk reporting and not much value is being added by the reports, compliance audit do not fully play the assurance role. Compliance audits do not assess ability to reduce risks, it is thus possible that an audited area there might be a number of risks not covered by audit tests and controls in place and still then audit does not consider this area as risky. Thus this has gave motivation to this study to ensure adoption of risk based audits required by the code of corporate governance at ZBFHL and other banks in Zimbabwe to assist IA to input more highly exposed areas and give assurance on the degree of exposure rather than just reporting that there are risk which is done under compliance audits.

1.3 Main Research Question

What is the role of Risk Based Internal Audit Approach (RBIA) on assurance of enterprise wide risk management processes to ensure survival of banks in Zimbabwe?

1.4 Sub research questions

1. How can internal audit give assurance through RBIA that bank survival is guaranteed?
2. What are the challenges faced when using RBIA in assessing bank survival?
3. What is the effect of RBIA on the implementation of internal controls to avoid overrides and ensure survival of the bank?
4. What other options other than RBIA does IA have to ensure survival of banks?

H1: There is a significant positive relationship between RBIA through the utilization effective risk assessment, chance based IA designs and bank survival.

1.5 Research objectives

1. To examine the assurance given through RBIA whether bank survival is guaranteed.
2. To identify the challenges faced when using RBIA in assessing bank survival.
3. To examine the impact of RBIA on the implementation of internal controls to avoid overrides and ensure survival?
4. To identify other options that IA have other than RBIA to ensure survival of the bank

H₁ There is a significant positive relationship between RBIA through utilization effective risk assessment, chance based IA designs and bank survival.

1.6 Justification of the study

The study derived its importance from the internal audit method of risk based internal audit approach. This research is convinced that there is a dearth in the studies that have looked at the effect of IA approaches on the survival of banks in a country such as Zimbabwe where there are unstable macroeconomic conditions, high inflation trajectories and banks are exposed to many

varying risks which affect their survival that are not critically addressed because of the traditional approaches which do not provide reliable assurance on risks used hence the need for this study to try achieving high assurance on risk management processes of commercial banks passing through inflationary trajectories and liquidity crisis in Zimbabwe through RBIA.

1.7 Delimitation of study

Zimbabwe Financial Holdings Limited (ZBFHL) is used as the case study and the research covers the period 2014- 2017. The research focused on the use of RBIA on assurances of enterprise wide risk management processes to guarantee survival of the bank. The ZBFHL employees assisted in carrying out the study, these people included internal auditors, risk department personnel, departmental managers and senior management

1.8 Limitations of study

Confidentiality

- Limited access to organization data- the company understand study is in a sector that is highly regulated hence it has a strict privacy policy which does not allow them to disclose their information easily.
- Respondents like management and other personnel may fail to cooperate due to the nature of their work that keep them occupied.

Time

- The researcher had limited time in carrying out the study since all the respondents could not be reached and the researcher had limited time because of other school commitments

1.9 Assumptions

- The current management structure of ZBFH internal audit does not change.
- The responses from the company are going to be truthful, honest and unbiased
- The respondents possess relevant knowledge and expertise to the topic.

1.10 Chapter Summary

This section secured introduction, back ground of study, fundamental research question, sub research questions, look into goals, importance of the investigation, delimitations of the investigation, impediments of the investigation, suppositions, meaning of terms. The following chapter, the writing survey will take a gander at the hypothetical audits and contentions that were advanced by a few specialists.

CHAPTER 2

2.0 Introduction

This part gives a comprehension of the area under examination through the reference of various creators whose writing relate and increases the value of the investigation. The research analyzes the part of Risk based Audit Approach (RBIA) on assurance of enterprise wide risk management processes to ensure survival of banks in Zimbabwe.

2.1.0 Internal Audit function assurance on bank survival.

2.1.1 All operations of the bank should fall inside the scope of the IA'

(Financial Service Commission 2013) each operation including outsourced operations and each element of the bank should fall in the assignments of the IA to ensure assurance on survival of banks. (Basel Committee of Banking Supervision 2012) supported that, to ensure assurance through risk based audit the IA scope need to include assessment of controls, risk management and governance issues of the bank since risks emerges through all banking activities this will ensure bank survival certainty. (Nyarombe et al 2015) added that the higher exposed areas is, IA need to put more time and the unit need more controls, rather focusing on level of exposure RBIA assesses and adds value to the audit work to this IA need to know all operations of business activities. IA being at the center of all the activities of the bank it should have knowledge of all bank activities to add assurance given through RBIA on risk management processes and frameworks of the organization to ensure survival of companies in Russia (basel committee of banking supervision 2012). (Benli and Duygu 2014) also support that RBIA plans are based on effective risk assessment of all business activities, this increases the quality of

assurance given and guarantees existence of banks in the long run. (Eshikati 2012) studied the importance of IA who an understanding of business processes and concluded that, RBIA ensures the company has the capacity to survive in a competitive industry and keep on prospering through assurances given to board.

On the other hand (Ritternburg 2014) is neutral pointing out that knowledge requirement of business activities is great, but IA is not part of management, assurance is based on strong audit tools, communication effectiveness, continuous improvement of auditors qualifications and sufficient funding of audit assignments. (Marate 2014) pointed out IA activities influence the control environment positively. IA need to focus more on understanding the control environment this will give them insight of the whole bank(Awadat 2015, Marete 2012) .

(Shamsuddin et al 2015) denounces the fact that knowledge of all business actives improves assurances given by IA, he studied perception of managers on the effectiveness of the IA the study used survey questionnaires in collecting data from managers, the study found out that TNB managers have a positive perception on the IA function and this makes easy communication between IA and mangment thus improving assurances on risk of survival of the company. (Ondieki 2012, Alzeban and William 2014,George et al 2015) argue that there is a positive association between management supports and internal audit effectiveness of assurances rather knowledge of businesses

In light of the above inconsistencies the researcher was satisfied that there was a gap in literature that had looked at all the activities of the bank falling in the remit and scope of internal audit

plans in an unstable macroeconomic environment where there varying risks due to instability of the economy. It was the aim of this investigation to close this gap on not including all operations of the bank in the scope of the audit function, to improve assurances given on enterprise risks management to guarantee survival of the bank, through the use of RBIA.

2.1.2 Planning audits based on the risk appetite of the bank.

Risk appetite is the level of exposure to various condition that an organization can sustain to add value (CIA 2017). Organizations seeks various goals for sustainability and an understanding of the acceptable risks it faces to achieve these goals (erm understanding of risk and communicating of risk appetit1 , coso 2012).RBIA seeks to ensure that operational risk levels are within “Acceptable” levels means that risks are being controlled within the level that management considers reasonable, this level is known as acceptable risks is defined by the board member and various committees (Epitehemin 2013),the risk based approach give assurances that management of risk is within the appetite of the bank . The IA now considers risk that may prevent goal achievement by focusing on emerging and existing risks by giving assurances through RBIA (Ayagre 2014). (Basel committee on bank supervision 2014) added that developing progressive reporting capabilities to forecast potential emerging risks that may surpass the acceptable risks of the bank risk tolerance, IA audit should fully aware of the appetite of the board when giving assurance that guarantees survival of firms in Basel. IA perception on bank exposure may exist an agent principal relationship (Swinkels, 2012), this influences IA to guarantee that exposure is within the tolerance of the bank and ensures survival of an organization survival through IA assurance role. (CIA 2017) also supported pointing out that risk tolerance is within the extent of all audit assignments. This is part of IA to assess the soundness and add to increasing good risk management processes Standard 120 to ascertain survival of banks.

(Basel Committee Of Bank Supervision 2012, Epetimehin 2013) disagrees with IA using RBIA audit approach to relying on the risk appetite of the board as this might not be true all over the banks which are in unstable economies, (Liang et al 2015, Dzomira 2014) added that risk are dynamic they change on a daily bases the IA need to focus on existing inherent risk and emerging risk which might affect the assurance given on the survival of banks.

In light of the above contentions the study was convinced that literature was lacking on studies that were done on planning audits based on the risk tolerance of the bank board of directors, in a country where they are rapid changes in economy and it is hard to set the acceptable levels of risks for the bank due to rapid changes in the industry. The study needed to find how RBIA approach can be done in a country with ever changing and unstable macroeconomic environment where setting risk appetite of the bank might not be reliable and to ensure assurances provided on the bank activities are within the risk tolerance of the bank to guarantee wide enterprise risks management processes.

2.1.3 Effective risk assessment

Jackson and Stent (2014) an auditor has to assess and point out material risks or misstatements due manipulation or human error at assertion level and overall financial statements, through knowing the organization and its environment , also controls to give ground for the design and implementation of responses on assessed risks of material misstatement. (Gamage et al 2014) added that risk assessment is another significant tool to be able to give assurance on survival of firms risk should be effectively assessed, (Jeffery 2012) also adds to that saying risks are the bad or good results of organization that might add or reduce economic benefits, these might affect goal congruence of the bank and risks failure if not effectively assessed. (Basel committee

supervision2012) supports risk assessment pointing out that IA need to assess the soundness of internal controls, risk management processes, ethical governance issues systems invented by various units to give assurances on them to guarantee bank survival. (Terje 2016) support pointing out the importance of efficient risk assessment and modeling of risks through risks registers this an understanding of the bank operations its objectives and goals.

(Benli and Duygu 2014) also say RBIA considers highly exposed areas ascertained by risk assessment which gives much needed assurance to ascertain survival of firms and also cost saving audit, this will sum up business profits. The head of audit needs to put in place an annual audit plan . (IFAC.ORG 2015) audit plans should be rooted on risk assessment and should be reviewed to input emerging risks this will keep the bank abreast with the ever changing risks that faces the banking industry

(CIA2014) studied the implementation of RBIA and found out that review of risk maturity should be done first before risk assessment is done, and concluded that risk oriented organizations risk maturity is first in being able to give assurance on enterprise risk management and reporting of significant risks. (IIA 2014) added that IA strategy on assurance provide guarantee on the survival of banks rather robust risks assessment. The emergency of new business (Eshikhati.L. S 2012) added the emergency of emerging bank risk influenced most IA in banks coming up with approaches that give audit importance as the third line of defense before carrying out risk assessments.

In light of the above inconsistencies this study was satisfied that there was a dearth in literature that looked at use of effective risk assessment to ensure reliable assurance that guarantee survival

of the bank, in a country where there is high inflationary trajectories and liquidity crisis. The study aim to close this dearth by looking at the need for effect risk assessment to improve assurances given on enterprise risk management processes through the use of RBIA to guarantee survival of the bank.

2.2.0 The challenges faced when using RBIA in assessing bank survival.

(Ayagre 2014) studied the adoption of RBIA in Ghana and made an investigation that of the 46 companies, 6 did not adopt RBIA that presented 13% of the total population, the main cause for not adopting RBIA being the following factor:

2.2.1 Lack of Skills

(CIA 2014) IA adoption of RBIA demands skill, knowledge experience and business skills such effective communication to influence and solve problems the audit profession now cover risks affecting banks to be able to give such assurance. The challenges involving staff compliment of the IA are detrimental amongst organizations experienced auditors with enough experience to carry out RBIA McCafferty(2016). (Aygre 2014) also added that in Ghana the use of RBIA is at its birth stage and the knowledge is not sufficient to properly do the consulting role and provide needed assurance on survival of Ghanaian companies. (Nyarambe et al 2015) studied the effect of RBIA on implementation and his findings where that internal auditors can help identify and give assurance on survival of firms in Usain Gish County, challenges encountered in assessing survival include personal without the required know how, inexperience, shortage of audit softwares for risk identification and unavailability of principles the major barrier on assessing survival of banks. Abudullah and Al Araj (2012) in their research old audit approaches vs

company risks in Jordan found out that lack of proper training concerning lack of use of RBIA, failure to evaluate business risks and absence of professional competence by auditors.

(Dzomira 2015) is neutral on the lack of skill as a challenge on assessing survival companies in private sector, he says risk management and RBIA is regarded to need highly skilled people and it is an upcoming approach in the public sector and proper training to equip employees on its use is required. (Ferhan , Dygu 2014) also added that RBIA does not promise an easier way of auditing for the IA, as a matter of fact they should adopt new skills for instance interviewing and analytical skills to be able to give assurance these skills can easily be adopted they can not hinder one from obtaining much needed assurance on firm survival. (BOLGER 2012) adds on to that saying staffing IA teams with people who have experience in all parts of organizations would better improve assurances. (Financial Services Commission 2013) points out that audit functions in banks should be independent of audited units this requires it to have a proper standing and assignment with objectives. (IIA 2015) also adds to that saying competence, relevant knowledge and experience is a prerequisite needed for the effective assurances to guarantee bank survival.

The (Lipunga 2014) is of different opinion on challenges of assurance of survival it stipulates that, there is need to have a suitable risk framework to prove that it is now capable to use RBIA . IA auditors in advocate for better risk management and provide reliable assurance on business existence in the long run (IIA 2016). (Ayagre 2014, basel committee of bank supervision 2014) added that the absence of standards to guide use of RBIA, misinterpretation that RBIA a consultancy service approach only not an audit approach in banking sector, no clarity pertaining to banks exposure affecting implementation and relevant training units.

In light of the above differences the research recognized a dearth in literature that looked at lack of skills as a challenge on the use of RBIA to provide assurances on enterprise risk management processes to guarantee survival of banks in a country where there are unstable macroeconomic environment and a large pool of educated people on the aspects of audit and risk management. It was the aim of this study to close the gap by assessing the lack of skills on giving assurances on the enterprise risk management of the bank to guarantee its survival in the turbulent economy.

2.2.2 Lacking Resources

(basel committee of banking supervision 2012) reducing cost is common in many organizations and amongst the cost to be reduced audit budgets are the most affected especially in banks.. those who do budgets senior management and the finance department over look that lack of funding on audit assignments affect the assurances provided by the IA, they will not have enough time to do their work effectively due to budgetary constraints (Awadat 2015 and Coeztee and Lube 2012). From all this when it comes cost cutting IA budgets are mostly affected since they are the regarded to consume unjustified resources(www.netwrix.com). IA audits need to have their own budgets independent of finance and accounting to ensure assignments run smoothly. (Bazim et al 2016) investigated the issues and challenges faced by auditors and concluded that due to lack of coordination of accounts staff , lack of management interest in audit activities it affect the the budgets provided to the IA for their assignments.

2.2.3 lack Risk Appetite Awareness

Internal audit departments at large face, global companies face many challenges.. IA auditors lack enough knowledge about the risk appetite of the board in banks this affect the use of a RBIA and providing reliable assurances Ritternburg and Marterns (2012). Knowledge of acceptable

risk affect the assurances by the IA, audit staff need to have absolute knowledge about the risks facing the bank before carrying on assignments. (CIA 2017) risk tolerance forms part of the audit extent and scope of the audit in banks, its part of the IA duty to assess the use and add to the improvement of management of risks standard 2120. Audit method used is dependent on the banks risk processes maturity taking into account the risk tolerance is fully outlined and informed and understood in all departments of the bank and many internal auditors lack the knowledge of the acceptable risks in the organization (Eshikhati.L. S 2012).

This study in light of the above contentions the study founded a gap literature on the effect of lacking resources and lack of acceptable risk awareness of the bank in a country where there unfavorable condition and is under a depression. It's the aim of this study remedy this it, focused on the need to change the mindset of the internal auditor and perception to improve the assurances on risks management processes to guarantee survival of the bank. The initial response for any change is resistance, RBIA is a transformation in way auditing is done, the internal audit staff being used to given standard audit programs with RBIA the IA is required to evaluate risk and to identify the relevant controls to mitigate risk.

2.3.1 Effect of RBIA on the implementation of internal controls to avoid overrides and ensure survival of the bank.

Internal controls guide a bank to goal congruence with objectives that include unit efficiency and dependability, usefulness of Financial statements and meeting all rules regulations of the sector. RBIA includes exposure management and internal control systems (Beekes and brown 2016). (Nyarombe et al 2015) investigated the benefits of RBIA to implementation of internal controls in Uasin Gishu County, the aim of the study was to come up with RBIA strategies in

implementation of controls in the public sector. The findings indicated RBAA in Usain Gishu public sector used strategies and also risk registers to implement controls for them to be risk focused. The study indicated that RBIA positively influence the implementation of internal control system. The higher the risk area is considered to be by RBA the more controls have to be tight to avoid collusion. (Marete 2014) also supported that an effective RBIA have positive impact on the control environment of an organization and through assessment of risk ensures an effective design and operation of internal control. (Daniele 2015) added that internal controls should be based on the lines of defense system and the IA charges the last part of defense using risk oriented audits to give assurance in relation to internal control effectiveness in safe guarding banks assets and addressing the weaknesses in controls. RBIA identifies risk control deficiencies and ensures that controls are all focused on tackling facing the organization. (Financial Services Commission 2013) adds on the effect of RBIA noting IA forms a critical role to upkeep the duty of maintaining and assessing controls of the bank.

(Dzomira 2014) denounced the involvement of IA in control implementation arguing that IA are not part of setting up controls of an organization. Independence of internal does not restrict them from being consulted by management on matters pertaining to exposure of the bank and sound controls required. Putting controls in place their design and function is the duty of the management and it is not a role of the IA audit function(Gamage and Fernando 2014). (Basel COMMITTEE Of bank Supervision 2012) disagreed pointing out that the board delegates the putting in place of suitable controls for an organization to senior management and these will ensure effective running of the controls of the bank.

In light of the above differences the study realized lacking studies on the involvement of IA in the implementation of controls using RBIA approach to improve assurances on the survival of the bank in country where are high levels of corrupt tendencies and there is an unstable economy. This studied aimed to remedy this by involving IA using the RBIA to increase reliability on controls to prove reliable assurances that guarantee survival of the bank.

2.3.2 Ensure effectiveness of controls

Internal audit normally focus on good controls and sticking towards requirements and rules ensuring banks operates effectively manner thus able to achieve its objectives. Audit was established to help the organization to increase good performance of its activities (Ali et al, 2012). Wide span of control led to the development of the audit to help assist management with all operations of organizations in different locations (Azharudin 2016). (Shamsuddin and Joharin 2014) note that the IA audit has to assess the control environment consists rules and set standards by the management. Other than that, IA also has to give guidance on the improvement of the internal control system and give guidance on their correction if required. The recommendations provided by the auditors are based on their professional judgements to look into the foreseeable future uncertainties that may be caused by the internal control deficiencies. There is conditional situation for internal audit function to give positive impact towards other component of internal control system. Findings of some studies shows need of IA to be effective first in influencing effectiveness of internal control. Internal auditor need to provide high quality audit work in order to positively influence the other four components of internal control systems

In light of the above arguments the study was satisfied that there is limited literature on the studies that focused on the effectiveness of controls to improve assurances on risks facing the bank in a country with an unstable economy. This study needed to remedy this by ensuring the involvement RBIA in implementation of internal controls in an environment which is prone to money laundering due to the cash crisis , to ensure the controls are risk based and proactive than reactive.

2.4.1 Relationship between RBIA and bank survival.

2.4.2 DETERMINANTS OF BANK SURVIVAL

2.4.2.1 Good Risk Management

(Dhiwayo 2015) inability to manage risks in banking operations has caused the collapse of these institutions over the years. There is a possibility of agent and principal duties due to the none control of operations by the owner of companies since there will be management in place , this make exposure increase to stake holders of the bank (Dzomira 2014). Banks have initiated corporate governance frameworks due to separate ownership which give rise to agency disagreements, expenses and management of exposure is now within this framework, there is mechanism of accountability that is internal audit and procedure manuals for all operations. (Basel committee of banksupervision 2015). Those with interest participate in governance issues to gain influence in organizations assuming ideas of risk on how to manage the exposures and need to manage risks is now important due to competition since this give meaning to stewardship of the executives of the firms (Basel Committee Of Bank Supervion 2013). This is in relation with Gamage and fernando (2014) argued that the need for audit function is because of

significant risks faced by those with interests in organisations and establishing policies, rules and sound control environment to reduce risks. The risk based approach gives independent exposure assurance to the audit committee to report to the board that there is sound management of exposure with the bank acceptable test of tolerance of risks (Azharudin 2016). An indication of presence of risk framework is the presence of individual different committees which include managers and directors (Dzomira 2015) to create exposure stewardship progress policy documents.

(Olamide et al 2015) studied the significance of risk management for banks, an outcome of international crisis, policy makers and market leaders have a consensus on the requirement of an inclusive risk management change in banking industry. Though remedies may vary, most agree shortage of an appropriate risk mitigation system as one of the key factors in causing the financial crisis. Banks commonly keep reserves for anticipated losses though unforecastable situations like economic problems or increase in interest rates make banks depend on their equity to cater for the losses. The need for effective risk management frameworks in banks and financial institutions is crucial to their survival. (Epetimehin 2013) in order to manage risk banks need to come up with their risk tolerance levels for varying exposures taking into account organizational extent to reduce the risks. (Basel committee of bank supervision 2013) the comprehensive knowledge of allowable risks with the different units of an organization should drive the balancing of risk and return, the appropriation of equity, service costing, also incentives and pay grades for employees and the board of directors. Bank strategy as the starting point of all collectable revenues follows the requirement to be created and being with the risk tolerance of the board.

2.4.2.2 Internal Controls

Jackson and Stent(2014) says internal controls are policies made, put in place and monitored by those with responsibility of governance, managers and field workers to give assurance on goal accomplishment and guarantee survival in relation to the dependability of a firms financial information reporting, the productivity of its activities and their meeting of all relevant rule and regulations. In terms of ISA 315(revised) an auditor is mandated to know the company's internal controls and it points out that this understanding can best be obtained by considering the 5 components of internal control to ensure survival of banks, the components are:

2.4.2.2.1 The control environment

(ICSAZ (2014), Jackson and Stint 2014) says this about management's attitude to and awareness of the need for controls. Because of the potential major consequences of poor control in a computerized system in banks, a strong control environment is very important to ensure survival of banks. The evaluation of the control environment should be far more intense in banks which is highly computerized. (Barisic and Tusek 2016) investigated that a sound control environment contributes to IA assurances dependability on guaranteeing survival in the banking industry, a review was conducted with 54 questionnaires on 54 companies in Croatia. Relevant statistical analysis were incorporated to interpret research outcomes, based on the research findings a good and sound control environment a reliable chance of IA being able to effectively do its assignments and provide assurances that will be considered relevant. A plus to the investigation the outcomes proved a existence of a significant correlation between regarded IA assurances and sound dependable control environment .(Gamage et al 2014) adds to that saying a control system consists of standards, procedures and structure which give basis of implementing controls in all

activities of a company. The COSO internal control structure gives importance to having a good control environment that is enforcing on laying out internal controls .

(Accountingtools.com 2016) denounces that a good control environment guarantees absolute assurances that the bank control objectives can be achieved, however they are many inherent exposures in a given system that limits assurance which include collusion, human error and management overrides that may derail the objective of controls. (IIA 2017) adds on to that saying a good control environment requires to have the highest level of professionalism to ensure reliance on by IA so as to provide reliable assurances. (Gamage et al 2014) says control environment alone does not guarantee assurances since they are five components to ensure a sound control environment to ensure banks survival.

The Company's Risk Assessment Procedures

Jackson and Stent (2014) in context of bank computerized environment this component is about controlling credit risk, IT risks etc. The King III report on corporate governance recognizes IT risk as one of the major risk facing banks. Whilst managing IT risk is responsibility of the board, it is likely that the board will delegate its responsibility to risk committee and audit committee (Eshikhati.L. S 2012). Part of this internal control component function will focus on assessment and response to IT risks facing the bank e.g data security and privacy, business continuity, data recovery and keeping up with technology. (Terje 2016) adds on to that saying to ensure survival of corporations they need to be effective risk assessment of all bank operations and improves the IA assurances on the survival of organizations. (Basel committee of bank supervision 2012) say with objectives set for all bank operations the risks which threaten achievement of the objectives can be identified, assessed and assurances by the IA can be provided reliably. The expansion of

an organization complexity rises and it faces varying risks and their management turns to be hard.

ICAZ (2014) stipulates that the objective of the information system and its sub-part, is to produce information which is valid, accurate complete and timeously produced, the information system with its machines , people , documents and data a sufficient response on it own to the risk that the financial information it produces may not be valid , accurate and complete and thus the the 4th component of internal control must be added to ensure assurances are reliable(Jackson and Stent 2014). Internal auditors are mandated to put an questioning mind for professional skepticism, exercise professional judgement and comply with ethical requirements. ICSAZ 2014 says professional skepticism involves an auditor having a questioning, robust review of evidence that contradicts each other and being on guard to circumstances that may hint capable misstatements because of manipulation of books of accounts. ISA 200 also add that to ensure effective risk assessment auditor need to use ethical audit considerations in making plans for audits of financial reports

Control Activities

(Ayagre et al 2014) these are the actions supported by polices and procedures which are carried out to manage and reduce the risks that the objectives of the organization will be met. Control activities are closely linked to the information system and meeting the objectives of processing accurately and completely all transactions which have occurred and have been auth orized. (Dzomira 2014) says to improve reliance on controls and improve assurances in banks they need to have reliable control processes, approval and division of duties.

ICSAZ 2014 defines control activities as policies and procedures which assist those charged with governance to ensure duties are carried out as per procedure manual. ISA 315 points out that an auditor should attain understanding in relation to controls operations and how to mitigate risks with IT environment in banks. This involves authorized and checked documents, procedures over computer programs, reconciliations etc, for internal controls to be reliable to ensure survival of banks the control activities need to firm and management reviews them occasionally to test their efficiency in ensuring bank survival.

MONITORING CONTROLS

The final component of internal is monitoring, this involves the assessment of internal control performance over time Jackson and Stent (2014). Management setup internal control with the intention of reducing risks that the bank objectives will not be met, it is the component that of the process which tells management how they are doing through RBIA assurances. Successful monitoring is achieved by ongoing assessment by management itself, IA and risk committees. This only done to determine whether control activities are actually taking place and are effective and can IA depend on them to give assurances on the survival of the bank in light of different risks facing its operations.

Accountingtools.com 2016 denounces that, control design can provide definite assurance about control environment that goals can be achieved, there several different risks within the operations that any system maybe bone with that limit the reliability of assurances to be provided. Review on controls include a stages to look at the reliability of internal controls with time, it involves the makeup and use of controls severally considering actual action altered for different scenarios. Internal audit need to have knowhow on the duties that it has and what it is expected and how it comes in the banks structure.

(Ayagre et al 2014) states that there are limitations of accounting and control systems on ensuring business success and survival, a given internal control gives directors a reliable assurance on goal congruence, in light of the inherent limitations that include, expenses associated with control being greater than the benefits, the degree of personnel error, collusion amongst the workers, management overriding and by passing controls made up to coup with unusual transactions. These illustrate the reason auditors get evidence on testing of internal control systems.

2.4.2.3 Good Corporate Governance

(Dhliwayo 2015) poor governance frameworks including absence of policies, inability to put compliance with policies, failure to interview executive reports is dominant amongst the banks which failed in the country. It is common in self owned firms where managers often use too much influence in the daily operations of the financial institutions, absence of regard for suitable standards of management of risks. Controller arbitrage because of abuse of company structures inputs to failing of banks in Zimbabwe. The drive to achieve higher incomes many banks opted hedging to run away from the unknown risks of loss of value of money resulting in increased exposure to new risks as a result of this. (Dzomira 2014) adds on to that saying failure of many banks in Zimbabwe because of flawed corporate governance in the banking institutions. Banking institutions need to comply with King III code of corporate governance to enhance their corporate governance to ensure survival, the report states that corporate governance is not static it must evolve to meet shape and developments in the bank and society. The code also emphasizes the need to adopt RBIA to enhance the assurances provided to the board and ensure good corporate governance, (Basel committee of banking supervision 2015) it also deals with a number of governance issues boards directors, audit committees, risk management etc. aspects

of corporate governance are based on the ethical values and standards , there is need for responsibility , accountability ,fairness and transparency to ensure survival of banks. Diaconu(2014) says To ensure bank survival banks should promote good governance to avoid scandals like the ENRON case.

(IIA 2015 Chambers) pointed out that the issue of corporate governance responded to many companies failures because of corporate scandals Medici Bank 1994 is an example where management of the bank did extravagant use of the organization resources and unavailability of control systems the bank became insolvent. (Dzomira 2015) investigated corporate governance proposal reports and found out that commonly that there is clarity in corporate governance in the banking industry of Zimbabwe which shows that banks are acknowledging the best way to satisfy those with interest in the financial institutions through good governance of banks. The research adds more perspective on the rate of corporate governance reports and clarity by financial institutions in Zimbabwe and informs those with interests of problems that need attention to attain all corporate governance structures. The investigation needed to knowledge in that it is related to Zimbabwean context and gives light since it is a specific to the economy it has exceptional characteristics.

2.4.2.4 Consumer Confidence In the Sector

(Salim et al 2014) banking is constructed totally with respect to a relationship of trust to defend liabilities put by the banking stakeholders. When this trust is lost it is the most hard to reestablish. (Dzomira 2014) includes that the establishment of client association with banks and credit associations is still under uncertainty as client requests and desires advance, collaborating with customers on dealing with their accounts make them certain about their monetary future this will help guarantee survival of the managing an account area. Clearness, straightforwardness all

strongly affect the trust in clients is essential for banks. (Dhiliwayo 2015) points out that banks should consider important the the reliability inserted in them by contributors and save their money in a judicious way. In such manner, morals, respectability and straightforwardness assume a key part in keeping up investor confidence.

Client experience is not just the key driver of confidence, yet in addition a key driver of both wearing down and maintenance. (Dhiliwayo 2015) the sector is still working to repair its reputation in the wake of financial crisis that happened, banks need to place customer experience at the front and center of their operations to make sure their customer remain theirs. Banks should making banking simpler, consumers want something which is concise, transparent and clear. To maximize customer relationship, banks need to think of a new way to cross-sell. Banks should consider important the trust put in them by depositors and complete banking operations in an reasonable way not misuse their funds (Dzomira 2015). In such a manner, morals, honesty and transparency assume key part in keeping investor trust.

In light of the above difference the study founded that there is lacking in literature that focused on consumer as a determinant in ensuring survival of the bank in an economy where the banking public has no more confidence is sector anymore. It was the objective of this study to ensure RBIA considers lack of confidence in the sector so as to bring out reliable assurance on the survival of the bank through good enterprise risk management processes.

2.4.2.5 Liquidity, Solvency and Stability of Non-Performing Loans

(Dzomira 2015) completed an investigation of the issue of bank collapses in Africa it was found and inferred the closure of banks was credited to liquidity and dissolvability issues because of defective corporate governance benchmarks, lacking risk administration, abnormal amounts of non-performing loans and theoretical exercises among an intersection of variables. It was consequently suggested that enterprise risk management structure ought to be actualized without coming up short and selection of Basel II/III saving money supervision and observation. (Dzomira 2015 and Dhliwayo 2015) found and reasoned that the closure of banks was credited to liquidity and dissolvability issues because of defective corporate administration, lacking risk management, large amounts of non-performing loans and theoretical exercises. Banks need to manage credit risk to avoid growth of non-performing loans and avoid hedging to ensure they are solvent to be able to meet customer needs to avoid bank failure. Non-performing loans credits have also been critical contributing to the closure of banks. Specifically we have noticed the mishandling of credits and advances by related parties especially executives and investors which has brought about immense levels of non-performing loans given to insiders prompting bank failures (Dhliwayo 2015).

2.4.2 MEASURES OF BANK SURVIVAL

Liquidity Management

Liquidity management is the implementation of measures to guarantee that the financial institution keeps required resources either as an obligation to clients of the bank to be able to meet liabilities involved with survival of the bank or as a measure of compliance to the fiscal policies of the Reserve bank(Sangmi & Nazir, 2012). Financial institution are judged on their

capability to fulfill cash and collateral liabilities without incurring significant deficits. In either case liquidity management describes the effort of investors or managers to reduce liquidity risk exposure. (Gadot and Dalmia 2014) for banks to remain a valued partner to corporate customers , they must set out to navigate today's reshaped corporate liquidity management landscape. The following outlines eight best practices that bank should bear in mind when developing and offering corporate liquidity solutions (1) improving cash forecasting to enhance liquidity management, a critical requirement of today's corporate treasurers is timely accurate and consolidated information to facilitate cash forecasts.(2) focusing on receivables and payables to enhance the cash position, banks can now offer corporate customers a wide range of payables and receivables solutions that help them improve the speed efficiency and effectiveness of their working capital management. (Dzomira 2015) says liquidity management is a concept broadly describing a company's ability to meet financial obligations through cashflow, funding activities and capital management and to ensure survival of the bank.

Banks have had to entirely revise the way they manage their own liquidity, including now needing to hold prescribed levels for certain types of customer deposits. In consequence, corporates have found that the market and many of the rules for investing and borrowing cash have changed and some have been turned on their head. Every transaction or commitment has implications for a bank's liquidity. Liquidity risk has become one of the most important elements in enterprise wide risk management. It's important to manage liquidity to maintain cash receive ratio, the bank has to maintain sufficient amount of cash reserve to meet statutory obligations and to maintain safety. Also to meet loan demand, a profitable loan is always an opportunity for the bank, a loan with high potentiality of easy recovering with long duration is regarded as profitable loan for the bank. To resolve economic fluctuation banks are such organizations which are

highly depended upon the current economic situation, for banks to continue their business and to win the public confidence, they have to save themselves from the severe effect of the environment. The performance of the banks is depended on the non-performing loans and default loans. Banks policy could have crucial influence on non-performing loans, banks should not charge high interest rates and lend excessively are likely to incur higher levels of non-performing loans. (Haneef and Riaz 2012) non-performing loans are increasing due to lack of risk management, which threatens the profitability of banks the suggested that banking sector can avoid their non-performing loans by adopting methods the central bank of perspective country.

As lending is the most profitable investment for commercial banks, NPL has the effect on profitability of the commercials banks. Its time to work with NPL as the funds that are given to the borrowers as loans must be safe and recovered when due. Banks do business with depositors money, public may lose confidence from the bank which may create run on the bank as a result profitability of the bank can be negatively affected.

In light of the above circumstances research is convinced that there is lacking research on the issue of liquidity management as measure of bank survival in country were there is liquidity crisis it is the aim of this study to remedy this by ensuring that RBIA considers liquidity management as essential when giving assurances on wide enterprise risk management to guarantee survival of the bank in an unstable economy

Non-Performing loan Stability

The RBZ, however, noted with concern the gradual deterioration in asset quality as reflected by the level of non-performing loans which was not trending towards the watch list category and concerns over quality of corporate governance and effectiveness of supervision (RBZ, 2012). Banks need to ensure they do not keep incurring losses through non-performing, there is need to

manage credit risk through RBIA. (Akter and Jewel 2017) studied the impact of non-performing loans and concluded that that non-performing loan percentage of total loans on listed banks in Dhaka Stock Exchange is very high and they holds more than 50 % of total non-performing loans of the listed 30 banks in Dhaka Stock Exchange (DSE) for year 2008 to 2013 it is one of the major factors of influencing banks profitability and it has statistically significant negative impact on net profit margin (NPM) of listed banks for the study periods. (Bhattarai 2014) pointed out that the bank need to be aware with the things that make non-performing loans increase such as unemployment rate, inflationary rates and interest rates, he recommended that the bank needs to be aware of the things that make this loan book grow to ensure survival of banks in Nepali.

Consumer Education

(Dhliwayo 2015) Consumer education on the functioning of banks and their right to accurate information on the safety and soundness of institutions in which they entrust their hard-earned monies is also key to limiting risk of failure. To this end, the Reserve Bank and other stakeholders have embarked on numerous consumer education initiatives including road shows and periodic bulletins, highlighting the rights and responsibilities of the banking public.

Strengthening the Legal and regulatory frame work

Proposals to amend the Banking Act aimed at enhancing governance structures within banks, strengthening the powers of the regulator and punishing non-compliance or any errant activities have been made. Regulatory arbitrage, often through the abuse of group structures, is a cause of bank failures in our economy. In pursuit of higher profits, some banks engaged in non-banking activities, often very speculative in nature resulting in excessive risk exposure (dhliwayo2015).

Having an imposing framework can ensure survival of banks in an unstable economy to protect both the banks and consumers, say that there is need for a strong legal and regulatory framework, which sees the unique nature of banking institutions as opposed to other commercial enterprises

$$\text{Economic value added} = \beta_0 + \beta_1 + \beta_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \mu$$

This study will focus on B1 and B2 through RBIA to ensure survival if the bank is guaranteed since RBIA approach is advocated by the KING III code of corporate governance to ensure good assurance on risk , and for IA audit to add value to the organization by making sure determinants of survival are working well in the bank.

2.4.3 Literature Review on Those Who Carried Out Researches Testing Relationship.

(Marate.R.K 2014) studied whether use of RBIA practices such as risk management. IA planning, IA capacity and IA standards affect financial performance to ensure survival commercial state corporations in Kenya. Marate adopted descriptive survey research with view to obtaining existing phenomena. The target population for the study was 53 commercial state corporations in Kenya and a census survey of all the 53. Primary data was collected using questionnaires that were administered by the researcher used quantitative techniques to analyze data. Inferential statistical regression and correlation was done to establish the impact of RBIA on financial performance to ensure survival of commercial state corporations. The study concluded that there existed a positive relationship risk management, internal audit planning, internal audit capacity and internal audit standards on financial performance and recommends

that management in Commercial state corporations should embrace RBIA practices. (Sutan 2012) IA audit report through RBIA have a significant positive effect on financial information benefit on survival of firms.

(Kasiva. V. K 2012) investigated the relationship between RBIA on financial performance which ensure survival of commercial banks in Kenya. The study adopted correlation research design for it describes the specific phenomenon in its current trends, current events and linkages between different factors at that time. Target population for the study constituted of 44 respondents who were finance officers, internal auditors, the credit officers, relationship officers/managers and accountants at commercial banks in Kenya. The study administered questionnaires which included structured and unstructured questions to all the respondents since it was the most appropriate tool to gather information. Descriptive statistics such as mean, standard deviation and frequency distribution were used to analyze data. The study concludes that RBIA through risk assessment, risk management, annual risk based planning, internal auditing standards and internal auditing staffing should be enhanced. This would enable the firm to be able to detect risks on time and concentrate on high risk areas leading to increased transparency and accountability, hence enhancing financial performance to ensure survival of the bank.

(Awadat 2015) also investigated the impact of the RBIA to improve the financial performance of the Jordanian commercial banks and ensure survival , identification of design, a quality audit and management of the internal audit department, evaluate and develop their own internal audit risk management, has been the questionnaire distributed to internal auditors working in the internal Audit Department in the Jordanian commercial banks, have been distributed and recovery (65) questionnaire was analyzed by statistical packages program, the study found that

the Jordanian banks interested in the quality of internal audit and management of the internal audit activities and assess the risks of the internal audit process and that there is the effect of the function internal Audit to improve financial performance ensure survival of banks.

(Dantas et al 2012) investigated an empirical-analytical study aims to provide a comparison between the levels of audit activity regulation in banking institutions and evaluate the relationship between the degree of RBIA and the characteristics of national banking survival. To this end, a database containing data from a survey conducted with the national banking supervisory and regulatory authorities of 172 countries that is maintained by the World Bank was used. Descriptive statistics revealed that the highest levels of regulation are recorded in the most developed nations as well as Middle Eastern, North African, European and Central Asian countries. The study also confirmed that Brazil has a higher level of regulation than the international average. Tests were carried out using regressions to evaluate the relationship between the level of auditing regulations and the characteristics of banking sectors; it was evident that countries with higher levels of domestic credit provision by the banking sector and more profitable banks impose more requirements regarding the performance of auditors. In contrast, there is less regulation in countries where state banks participate more in the financial system and where there are more restrictions on the activities of banking institutions. A positive association between a banking survival and the level of RBIA regulation was not found rather a negative.

In light of the above disagreements the was convinced that there is lacking literature on the role of RBIA to guarantee survival of the bank in a country facing high inflationary rates, unfavorable macroeconomic conditions, more so there is dearth in literature were RBIA is used as the

independent variable ensuring that it considers good risk management, internal controls soundness, good corporate governance, liquidity solvency and non-performing loan stability and bank survival is dependent variable. Thus it was the objective of this study to close the gap by proving that there RBIA guarantees bank survival through the assurances provided on enterprise risk management processes. The study investigated the relationship between RBIA and survival of banks, in a country where there unfavorable macroeconomic environment high liquidity crisis and no own currency. This leads to this hypothesis

H₁: There is a significant positive relationship between RBIA through the use effective risk assessment, risk based IA plans and bank survival.

2.5.0 Options other than RBIA does IA have to ensure survival of banks

(IIA 2012) notes that best internal audit practices which outstanding or optimized platform or frame work in IA task that arises from continuous learning and improvement into suitable for operational activities at the current time rather than just focusing on RBIA as the only approach, they is need for flexibility by the IA to better suit every circumstance with best practice. (Samptikon et al 2012)added to that by investigated the relationships between best IA audit best practice not RBIA and goal achievement sustainability through mediating effect of financial information, organization value enhancement, and concluded that audit review system efficiency, audit resource allocation effectiveness and IA report value have significant positive effect on financial information benefit and organization survival enhancement. (Canutillo independent school district 2016) also IA can be a catalyst in improving banks effectiveness and efficiency by providing insight and recommendations based on analyses and assessments of data process to ensure survival of organizations, rather than focusing on high risk areas emphasized by RBIA.

(Awadat 2015, Basel Committee of banking supervision 2012) disagreed to the fact that IA can use other practices other than RBIA he pointed out that the modern world is based on wide enterprise risk management and audit needs to be aware of risk in every assignment they will to add value to Jordanian banks and guarantee survival. (CIA 2014 , Gamage and Fernando 2014) also adds to that over the last few years , the need to manage risks has become recognized essential part of good governance to ensure survival of firms, IA can best achieve its mission as a corner stone by position its work through RBIA to ensure bank own risk management and guarantee survival. (Nyarombe et al 2015) also emphasized the adoption of RBIA over IA practices pointing out that it promotes good governance and its in line with current king code of corporate governance.

In light of the above inconstancies the study was satisfied that there was lack in literature that looked at other audit approaches such as traditional audit approaches that can give assurances on risk better than RBIA in a country that has unstable economic conditions. This study aimed to close the gap by ensuring the use of RBIA as the best approach possible to give assurances on enterprise risks management to guarantee survival of the bank in an unstable economy.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0Introduction

This chapter deals with the exploration of the techniques that will implemented in accessing and recording data relating to the role of Risk Based Internal Approach (RBIA) on assurance of enterprise wide risk management processes to ensure survival of banks in Zimbabwe. This

chapter focuses on the analysis of the research design and methods engaged, factoring merits and demerits of each method within the context of the study. It also focuses on the research instruments and samples used to obtain the information concerning the issues of the research. It is then followed by the description of the data collection and data analysis procedures which generally show how data will be treated in the subsequent chapter.

3.1 Research Design

The function of a research design is to ensure that the evidence obtained enables us to answer the initial question as ambiguously as possible Creswell (2013). The main objective of this study is to examine the role of RBIA on assurance of enterprise wide risk management processes to ensure survival of banks which trigger the need for qualitative and quantitative research design. The research design is the general plan that the researcher will use to answer the research questions guiding the study Cameroon (2015). State that designing a study assist researchers to plan and implement the research in a way that will help them to obtain the intended results, that is increasing the chances of obtaining information that could be associated with the real situation.

3.2 Mixed Approach

(Cameron 2015) defines mixed approach as research that involves collecting, analyzing and interpreting quantitative data in a single study or in a series of studies that investigate the same underlying phenomenon This study will use mixed methods approach that involves collecting, analyzing and integrating quantitative (surveys) and qualitative (interviews) to obtain the assurance role of RBIA to ensure survival of banks. This will be attained through gathering information pertaining to targeted population on particular subject and analyzing information to observe the impact on survival of banks. Mixed methods have an integration component which

give readers more confidence in the results and the conclusions drawn from the study. This research objectives include both qualitative and quantitative objectives in assessing the role of RBIA in ensuring survival of banks. Mixed methods add value by increasing findings, informing the collection of second data source and assisting with new knowledge, the approach gains broader understanding of the phenomenon than studies that do not utilize both a quantitative and qualitative approach (Mckim 2017). It would be easy to overlook challenges of RBIA on ensuring bank survival if the study relied in only infrequently collected quantitative indicators, it included qualitative objectives to reflect on the what research participants meant by their answers or imply by engaging social experience. Mixed research provides strengths that offset the weakness of both quantitative and qualitative research, by using both types the strengths of each approach can make up for the weakness of the other (Cameron 2015)

3.3 Quantitative Approach

Creswell (2013) Quantitative methods emphasizes objective measurements and the statistical mathematical ,or numerical analysis of data collected through polls, questioners and surveys or by manipulating preexisting statistical data using computational techniques. Quantitative methods are used to examine the relationship between variables with the primary goal being to analyze and present the relationship mathematically through statistical analysis. Statistical analysis allows for greater objectivity when reviewing results and therefore, results are independent of the researcher. Numerical quantitative data may be viewed as more credible and reliable, to policy makers' decision makers and administrators. It permits formulation of statistically sound hypothesis with no room for emotional design. Quantitative research can be used to test hypotheses in examinations because of its ability to measure data using statistics. Creswell (2014) cites the main disadvantage of quantitative research that it has

inability to the environment, researchers face problems to control the environment where the respondents provide answers to the questions in the survey. Sharan and Tisdell (2015) Responses often depend on particular time which again is dependent on the conditions during that particular time frame. (Cameron 2015) quantitative research does not study issues in a natural setting or discuss the meaning the issues have for different people as qualitative research does. Another disadvantage is that it requires constant monitoring of model performance to ensure continued compliance with original hypothesis which is time consuming Plano and Ivanok(2016).Quantitative methods are designed to provide summaries of data that generalization about the phenomenon under study (Cameron 2015). It provide ground for summaries on the relationship between RBIA and bank survival, it involves few variables and many cases and employs prescribed procedures to ensure validity and reliability Crewel (2013). It allows the researcher to measure and analyze data, the relationship between an independent variable which is RBIA in this study and variable bank survival is studied. This is advantageous because the researcher is more objective about the findings of the research. Quantitative can be used to test hypotheses because of its ability to use statistical data.

3.4 Qualitative Research

Is a method of inquiry employed by different academic disciplines, qualitative methods examine why and how of decision making, not just what, where, when, who Plano and Ivanok(2016) Design generally based on social constructivism, research problems became research questions sample sizes can be small as one. Data collection involves interview, observation and archival data. Sharan and Tisdell(2015) cite that It is used to gain an understanding of underlying reasons, opinions and motivations. Qualitative research is also used to uncover trends in thought and opinions and dive deeper into the problem. Data collection methods vary using unstructured or

semi structured techniques. Provides insights into problems or helps to develop ideas or hypotheses for potential quantitative research. The major drawback associated with qualitative is that this process is time consuming, the second problem is that a particular problem could go unnoticed. Also the interpretations of researchers are limited, personal experience and knowledge influences the observations and conclusions related to research problem. Another disadvantage is that it has no result verification, it mostly open ended the participants have more control over the content of the data collected Younus (2014). Qualitative research is useful in the early stages of the study when the researcher maybe unsure of exactly what will be focused on Creswell (2014). It does not need a strict design plan before it begins. This gives the researcher to let the study unfold more naturally. The researcher gained more detailed and rich data in the form of comprehensive written descriptions on RBIA role in ensuring survival of the bank through interviews. This type of research looks at context and social meaning and how RBIA affects IA which is advantageous the interpretations of the research are limited to, personal experience and knowledge influences the observations and conclusions related to research problem.

3.5 Target Population

Cameron (2015) defines target population as the entire group of individuals or objects to which researchers are interested in generalizing the conclusions. It is the group of people to whom we want our research results to apply Plano and Ivanok(2016). Population is the people who meet operational definition of target population. Before a research can begin the target population must be identified and agree upon. Population is all those entities (person, organization, things, events e.t.c) that are the focus of interest of the research or evaluation study Sharan and Tisdell

(2015). In this research the target population will be in the following department: ZBFHL group Internal Audit function (all internal auditors), Risk, Compliance and management.

3.6 Sample

According to Leedy and Ormrod (2016) sampling a way of obtaining useful information about a particular population without having to examine each and every subject matter. Saunders, Creswell (2014) stated sampling entails consideration of a variety of methods that aim to condense the amount of data collected from population. The researcher made use of samples in the view of cost saving and time constraints. The research used sampling techniques that fall under probability sampling that is stratified sampling and simple random sampling. Judgmental sampling which is a non-probability sampling technique was also used. Sharan and Tisdell (2015) defines non-probability sampling as, “a method of selecting samples in which the choice of selection of sampling units depends on the discretion or judgment of the researcher. Not every worker at ZBFHL had an equal chance of being included in the sample because there was no census or complete list of all people working at the organization. The population will be constituted as follows;

Table 3.1 population and sample size

| Participants | Population | Sample | Questionnaires each | Percentage |
|----------------------------|-------------------|---------------|--------------------------------|-------------------|
| Internal auditors | 23 | 23 | 1 | 100% |
| Risk department | 18 | 12 | 1 | 66% |

| | | | | |
|--------------------------------------|------------|------------|----------|------------|
| Senior management | 20 | 15 | 1 | 75% |
| Middle management | 100 | 80 | 1 | 80% |
| Other banks internal auditors | 15 | 10 | 1 | 66% |
| TOTAL | 176 | 140 | | 80% |

Table 3.1 shows the target population from which information that is going to be used in the study to gain insight on the role of RBIA on assurances of enterprise wide risk management process to ensure survival of the bank. The researcher will be using a large sample from the target population in order to get as much information as the researcher can. Sampling will reduce the cost to be incurred since it is cheaper to collect data from part of the whole population. Sampling is the only practical method when the population is infinity.

3.6.1 Stratified Sampling

Involves the segregation of the population of study into mutually exclusive populations or strata (Cameron 2015). In the research project, the population had to be subdivided into managerial and non-managerial staff (distinctive groups). After stratification process, a simple random sampling technique was used because each department has a full representation and thus results are spread across the whole area of study. The technique provides adequate data for analyzing the various sub-populations and it also allows the use of other sampling procedures. This is because stratified random sampling method ensures that different groups of the population are adequately represented in the sample so as to have a true picture and valid results of the research. The

technique provides adequate data for analyzing the various sub-populations and it also allows the use of other sampling procedures. This is because stratified random sampling method ensures that different groups of the population are adequately represented in the sample so as to have a true picture and valid results of the research.

3.7 Sources of Data

3.7.1 Primary Data

Primary is information that you collect specifically for the purpose of your research project. An advantage is that it is specifically tailored to research needs (Cameroon 2015). The major disadvantage is that it is expensive to obtain. The source of its data is the population sample from which you will collect the data. Data is collected through questionnaires, focus groups, surveys and interviews. Primary data are original and relevant to the topic of the research study so the degree of accuracy is very high. It can be collected from a number of ways like interviews, telephone surveys, focus groups etc. It includes a large population and wide geographical coverage. Primary data is current and it can give a realistic view to the researcher about the problem statement. Reliability of primary data is very high because these are collected by the concerned and reliable party since it is collected from source. It is more closely linked to the field and is not collected through a process of filtering that is used in secondary sources

3.7.2 Secondary Data

Secondary data comprises of data that was collected by someone other than the user. The advantage of secondary analysis of existing data is the low cost Cameroon (2015). It can either be it can be external, which is also from outside sources or internal that is in-house data.

Secondary data will be essential in carrying out the research although primary data provides the solution to the problem. The researcher will use secondary data because it provides with a starting point for further analysis on the role of RBIA assurances on survival of banks.

The researcher will save time and costs as this data was already collected and summarize. It provides a good starting point for research and often helps define the problem and research objectives thus acted as a benchmark and guide for the research. The data will give the researcher the opportunity to examine data from a theoretical perspective. Secondary data cheaper and faster to access and it provides a way to access the work of other scholars all over the world. Secondary data will give the researcher to which direction the specific research should go.

3.8 Research Instruments

3.8.1 Questionnaires

Creswell (2014) a questionnaire is a research instrument consisting of a series of questions for the purpose of gathering information from respondents. It serves the following puporses (1) collect appropriate data, (2) make data comparable and amendable to analysis and minimize bias in formulating and asking question. Questionnaires are to be designed and distributed by the researcher, the questionnaires will contain questions designed to gather the required information and to be completed by the respondents the questionnaires will have questions that are to be responded to and these questionnaires are to be included at the back of the chapter. The researcher required a written response through a tick, one word or few words response. The researcher will use questionnaires because they are time saving and can retrieve data in a short space of time. The use of questionnaire can assure the respondent of confidentiality. The

questionnaires are designed for all levels management, internal auditors, risk department, finance department and other banks internal auditors they are on the ground in terms of assurances on the survival of the bank.

3.8.2 Likert Scale

A method of ascribing quantitative value to qualitative data, to make it amenable to statistical analysis (Brink & Wood 2013). A Likert scale is a psychometric scale commonly used in questionnaires and is mostly used in survey research, such that the term is often used interchangeably with rating scale item, even though the two are not synonymous. A Likert-type scale assumes that the strength of experience is linear, i.e. on a continuum from strongly agree to strongly disagree, and makes the assumption that attitudes can be measured. It requires the individuals to make a decision on their level of agreement, generally on a five-point scale (ie. Strongly Agree, Agree, Disagree, Strongly Disagree) with a statement. Likert Scales do not expect a simple yes or no answer from the respondent, but they rather allow a degree of opinion, and even no opinion at all. Therefore quantitative data is obtained, which means that the data can be analyzed with relative ease.

Table 3.2 Likert Scale

| | | | | | |
|----------------------------|-----------------------|--------------|-----------------|-----------------|--------------------------|
| Strength of feeling | Strongly agree | Agree | Not sure | Disagree | Strongly disagree |
| | 5 | 4 | 3 | 2 | 1 |

The Likert scale will be used to analyze collected data to ensure that each question asked in the questionnaire will have a table with the ticked item. The analysis of data will follow the same

table and will be very easy to analyze. Data collected is easy to analyze if it is in tabular form like the Likert scale and conclusions can quickly be drawn.

3.8.3 Interviews

Sharan and Tisdell (2015) Interview offered flexibility that is in the interviews there was freedom of repeating or rephrasing questions to make sure that they are understood. Its flexibility made the interviews a far superior technique for the exploration of areas, where there was little basis for knowing either what questions to ask or how to formulate them. An interview offered a better opportunity than the questionnaire to appraise the validity of information given. Interview will offer flexibility that is with the interviews there will be freedom of repeating or rephrasing questions to make sure that they are understood. Its flexibility will make the interviews a far superior technique for the exploration of areas, where there will be little basis for knowing either what questions to ask or how to formulate them. An interview will offer a better opportunity than the questionnaire to appraise the validity of information given.

3.9 Validity and Reliability

Creswell (2014) Validity is the extent to which values provided by an instrument actually measure the attributes it is intended to measure. That is the instrument used should measure what it is intended to measure. Sampling validity refers to the degree to which the samples are ample sample of the total population. Content validity refers to the degree in which the sample test items represent the content that the test is designed to measure.

Reliability is the degree of consistence that is demonstrated by the procedure employed in a study to give reliable estimates, Cameron (2015) . Reliability refers to the extra to which a test

is consistent or dependable in measuring whatever it is intended to measure. The questionnaires to be distributed will contain same questions that could be used for comparison of responses that were given by individuals.

3.10 Data analysis and presentation

3.10.1 Data presentation

Sharan and Tisdell (2015) cited that the purpose of conducting a quantitative study, is to produce findings, whereas qualitative methods use words to construct a framework for communicating the essence of what the data reveal, procedures and techniques are used to analyze data numerically, called quantitative methods. When sorting the data, the researcher will drop disturbing outliers and ignore non- responses. The collected data will be cleaned through inspection and erroneous data will if necessary, be possibly corrected. After collecting the data, the researcher will collate the data and group it according to thematic responses. The data will be presented mainly by graphical means and through cross tabulation. The researcher will compare and test for variance the data by analyzing frequencies on tables and graphs. Microsoft Excel will be used in the construction of pie charts, tables and graphs. Principally, the data will be prepared, organized, reduced into subjects through a process of coding and then eventually presented in figures, tables, pie charts, discussions and graphs.

3.10.2 Data Analysis

The data to be collected will be edited for accurateness, dependability and effectiveness and then evaluated using the inferential and descriptive statistics with the assistance of the Statistical

Package for Social Studies. Descriptive statistics will be including measures of fundamental tendency like the mean, percentages and the standard deviation while inferential statistics will be used to come up with conclusions.

3.10.3 Analytical Model

The model treats bank survival as the dependent variable while the independent variables will be the risk based internal audit practices which include good risk management, annual risk based planning, internal auditing standards and internal audit capacity. The degree of RBIA practices was measured by computing indices based on the responses derived from Likert-Scaled questions. Financial leverage (debt ratio used as a proxy) and firm size (measured by the natural logarithm of assets) were used as control variables.

The relationship equation was presented in the linear equation below.

$$\text{Economic value added} = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \epsilon$$

Where

β_0 = constant

β_1 = good risk management as measured from the likert scaled questionnaire

β_2 = internal controls as measured from the likert scaled questionnaire

β_3 = good corporate governance

β_4 = consumer confidence in the sector

β_5 = liquidity, solvency and non-performing loans level

X_4 = consumer education

X_5 =non- performing loan stability and liquidity management

X_3 =strengthening the legal and regulatory framework

X_6 = bank size as measured from the by the natural logarithm of total assets

E= standard errors

Data On growth of Non-performing loans was sourced from financial statements of the ZBFHL while likert scaled questions provided information on risk based internal audit practices adopted by ZBFHL i.e. good risk Management, Annual Risk Based Planning, Internal Controls and Liquidity and solvency and stability of non-performing loans

Return on performing loans is an indicator of how profitable the bank is relative to its total book of performing and non-performing loans. This return on loans gives an idea as to how efficient management is at issuing profitable loans. Calculated by dividing the bank's annual earnings from loans by its total loans issued, this return was displayed as a percentage. Using this return on loans as a comparative measure was best to compare it against a Bank's previous return numbers or the return of a similar Bank. This indicated how RBIA practices lead to the reduction of non-performing loans thus increasing profitability of the bank to ensure survival.

3.10.4 Test of Significance

Pearson Correlation Matrix and Variance Inflation Factor (VIF) was used to test the multi collinearity assumption, while an analysis of residuals and the plots of the regression residuals against predicted values was conducted to test for independence of error terms and heteroscedasticity.

CHAPTER FOUR

Data Analysis and Presentation

4.0 Introduction

This chapter focuses on the data presentation, analysis and discussion of findings obtained from the field research which was carried out at ZBFHL and other banks in line with the research questions and objectives. The data is presented and analyzed from the data obtained through questionnaires and interviews.

4.1 Response rate

A sample size of one hundred and seventy six (176) was chosen for this study. 23 were distributed to internal auditors, 12 to risk department, 20 senior management, 80 middle management and ten to other banks.

Table 4.1: Response Rate of the target population

| Respondent s | Questionna ire issued | Questionnaire answered | Response rate | interviews | Interviews Conducted | Response rate |
|-------------------------------------|----------------------------------|-----------------------------------|--------------------------|-------------------|---------------------------------|--------------------------|
| Internal Auditors | 23 | 23 | 100% | 7 | 7 | 100% |
| Risk department | 12 | 10 | 83% | 4 | 3 | 75% |
| Senior Management | 15 | 9 | 60% | 5 | 2 | 40% |
| Middle Management | 40 | 23 | 58% | 5 | 4 | 80% |
| Other banks internal auditors | 10 | 6 | 60% | | | |
| Total | 100 | 71 | 71% | 21 | 16 | 76% |

Table 4.1 shows that of the 100 questionnaires distributed 71 were successful which gave an overall response rate of 71% which is fair enough to make a comprehensive analysis for the data gathered in respect of the project study. Included in the 29/100 29% unreturned questionnaires 6/100 6% were on leave, 23/100 23% were unable to respond. The response is more than the 30% which Cameron (2015) regarded as representative of the target population sample. The table also shows the response rate on face to face interviews conducted by the researcher. 16/21 76% managed to respond, 5/21 could not be reached at the time of the interviews.(Creswel 2013)

interview offered flexibility that is in interviews there was freedom of repeating and rephrasing to make that responds are understood. The overall response can be regarded fair since more than half of the targeted population participated in the field. The researcher concluded that the response rate was satisfactory for the questionnaires.

4.2 Research Findings

4.2.1 Work Experience

Table 4.2 Respondents of work experience

| Work experience | Under 1 year | 1-5 Years | 5-10 years | Over10 years | Total |
|-----------------|--------------|-----------|------------|--------------|-------|
| Responses | 4 | 14 | 20 | 33 | 71 |
| Percentages | 4% | 20% | 28% | 46% | 100% |

Of the 71 questionnaires answered from positions held as illustrated in table 4.2 4% had under 1 years of experience, 20% had 1-5 years, 28% 5-10 years, 46% had over 10 years. The respondents had enough work experience to provide information for the research. Thus data gathered depicts the knowledge of the respondents who are well versed with the various risks facing ZBFHL and have knowledge of audit approaches used by the IA. (Cameron 2015) pointed out that the targeted respondents should have at least 5years experience to ensure reliable responses through work exposure.

4.3 Questionnaire Analysis and Descriptive statistics

This summarizes the findings of the study.

4.3.1 Assurance of RBIA on survival of the bank.

This section aims to establish the extent to which the respondents were by different aspects that ensures assurance of survival of the bank.

Responses on the idea that RBIA ensures all activities of the bank fall within the scope of the audit function.

| Responses | Strongly agree | Agree | Neutral | Disagree | Strongly Disagree | Mean |
|-------------|----------------|---------|---------|----------|-------------------|------|
| Respondents | 15(21%) | 43(61%) | 13(18%) | 0 | 0 | |
| Percentage | 21% | 61% | 18% | 0 | 0 | |

With reference to table 4.5 (15/71) 21% strongly agree that RBIA all activities of the bank fall within the scope of the audit, (43/71) 61% agree, (13/71) 18% are neutral, 0 disagree and strongly disagree 0.

Interviews

Responded 1

The currently adopted RBIA approach incorporates all the activities of the bank in its scope, involving all the operation has improved the assurance given on the enterprise risk management

processes of the bank compared to the compliance and controls approach were we did not consider all the activities of the bank.

Respondent 2

RBIA ensures annual audit plans secure all the operations of the bank to improve assurance on risk management and guarantee bank survival.

This data shows (58/71) 82% agree that RBIA ensures all activities of the bank fall within the scope of the audit function, this will improve assurance on enterprise wide risk management of the bank thus guarantying bank survival. This is supported by the (Financial Service Commission 2013) every activity including outsourced activities and every entity of the bank should fall within overall scope of the IA function to ensure assurance on survival of banks through risks assurances.

13 out of the 71 respondents which gives 18% of the total respondents were neutral which means they are uncertain whether RBIA assurances on risk management of all bank activities will guarantee survival of the bank, this is supported by respondents of the interviews 1 respondent was uncertain whether the assurances on risk by the IA will ensure bank survival. This is supported by (Ritternburg 2014) from literature review who are neutral also saying that knowledge of business activities is great but IA is not part of management, assurance is based on strong audit tools, effective communication and continuous improvement of auditors qualifications.

0 out of the 71 respondents disagree which gives 0% of the total respondents which means RBIA inclusion of all bank activities in the scope of the audit will improve assurance on risk management processes of the bank and ensure bank survival. The is also the same from the

respondents of the interviews no one disagreed that RBIA ensure all activities of the bank fall within the scope of the audit.

The modal position from the questionnaire point of view is 43 which is lying under agree which means RBIA ensures all activities of the bank fall within the scope of the audit and improves assurances on risk management this will ensure survival. This is in line with the modal position of the respondents of interviews most agree and is the same as the finding from the questionnaire. This is supported by (Awdat 2015) who pointed out that RBIA incorporates all banking activities to ensure assurances provided ensure survival of the bank through enterprise risk management.

From both interviews and questionnaires most of the respondents agree that RBIA ensures all activities of the bank fall within the scope of the IA function and improves assurances on risk management and assurances of the whole group activities ensures bank survival.

Responses on: RBIA ensures audit plans are based on the risk appetite of the bank.

| Responses | Strongly agree | Agree | Neutral | Disagree | Strongly Disagree | Mean |
|-------------|----------------|-------|---------|----------|-------------------|------|
| Respondents | 34 | 28 | 9 | 0 | 0 | |
| Percentage | 47% | 39% | 12% | 0 | 0 | |

With reference to table 4.6 (34/71) 48% strongly agree that RBIA ensures audit plans are based on the risk appetite of the bank, (28/71) 34% agree, (13/71) 12% are neutral, 0 disagree and strongly disagree 0.

Interviews

Responded 1

With RBIA comes effective risk assessment and all audit assignments are based on the risk tolerance of the bank that is the level of risk appetite made by board of directors of the bank.

Respondent 3

RBIA promotes knowledge of the risk appetite of the bank before carrying any risk assessment for a unit that is supposed to be audited, acceptable levels of risks for every unit is the starting point when planning an assignment

Respondent 4

When carrying out a risk based approach there is need to understand the acceptable risks of the bank to able to give assurance within the wide enterprise risk management of the bank.

This data shows 62 out of 71 respondents 86% of the total respondents agree that RBIA ensures audit plans are based on the risk appetite of the bank which means that all audit plans are based on the acceptable level of risk of the board.. According to (Terje 2016) from literature review says RBIA seeks to ensure that operational risk level are within the acceptable level which management considers reasonable.

9 out of 71 respondents 12% of the total respondents are neutral which means they are uncertain whether RBIA ensures audit plans are based on the risk appetite of the bank, this is supported by the respondent of interviews pointed out that plans are based on when the unit was last audited the time determines whether its high risk not basing on the taste of the board pertaining to risk time is a factor is determining riskiness of a unit. According to (Liang et al 2015) supported that from literature review saying risk are dynamic they change on a daily basis the IA need to focus on existing inherent risk and emerging risk which affect the bank.

0 out of 71 respondents 0% of the total respondents disagree which means that RBIA ensures audit plans are based on the risk appetite of the bank, this is supported from the interview respondents none disagreed to the fact that RBIA ensures audit plans are based on the risk appetite of the bank. According to (Basel Committee of Banking supervision 2012) disagrees with IA using RBIA to relying on risk appetite of the board.

The modal position from the questionnaire point of view is 68 which is lying under agree which means RBIA ensures audit plans are based on the risk appetite of the board to improve assurance on risk management processes to guarantee bank survival. The modal respondents of the interviewees is the same as the findings of the questionnaires. This is supported by the (CIA 2017) who pointed out that there is now need to have knowledge of the risk appetite of the for auditors to provide assurances risk management processes of the bank

From both interviews and questionnaires most of the respondents agree that RBIA ensures audit plans are based on the risk appetite of the board this will better improve the risk management processes of the bank.

Responses on the idea RBIA risk assessment is effective to guarantee survival of the bank

| Responses | Strongly agree | Agree | Neutral | Disagree | Strongly Disagree | Mean |
|-------------|----------------|-------|---------|----------|-------------------|------|
| Respondents | 50 | 12 | 0 | 9 | 0 | |
| Percentage | 70% | 18% | 0 | 12% | 0 | |

With reference to the above table 50/71 (70%) strongly agree that RBIA risk assessment is effective to guarantee survival of the bank, 12/71 (18%) are agree, 0 are neutral , 9/12 (12%) disagreed and 0 strongly disagreed.

Interviews

Responded 1

RBIA promotes audit assignment to all be risk oriented before doing an assignment effective risk assessment is done to ensure that the unit is properly understood of the risks it faces and potential, as a result of this the assurances given do guarantee bank survival.

Responded 4

RBIA requires effective risk assessment to provide much needed assurances on bank survival, it promotes rigorous risk assessment to address all the risk facing a given department. This can be related to the whole bank that the assurances provided will ensure bank survival.

This data shows that 62/72 (88%) agree that RBIA risk assessment is effective to guarantee survival of the bank, which means that RBIA assurances on risks affecting the are effectively reported and bank survival is guaranteed. This is supported by ISA 315 from literature review says auditors need to identify and assess risks of material misstatements effectively, (Gamage et al 2014) supported that the second major component of control is risk assessment to able to give assurance on survival of firms.

0/71 respondents are neutral which means they are uncertain that risk assessment is effective to guarantee survival of the bank. This the same from the interview findings none of the respondents were neutral on this. (Benli and Dygu 2014) supported saying RBIA selects the high risk areas determined by the appetite of the bank not always assessments.

9/12 (12%) of the respondents disagree which means RBIA risk assessment is effective does not guarantee survival of the bank. This is supported by the responded 6 who mentioned that bank survival is not determined by IA risk assessment procedures but rather surveillance of emerging risk by the risk department. CIA 2017 found out that review of risk maturity should be done first risk enabled organizations risk maturity is the first to give assurance on risk management processes.

The modal position from the questionnaire point of view is 62 which is lying under agree which means RBIA risk assessment is effective to guarantee survival of the bank. The modal position of the interviewee respondents is the same as questionnaire respondents, which RBIA risk assessment reliable. This is supported by the (Basel Committee of Bank Supervision 2012) also added that risks are the happenings that threaten the achievement of objectives and affects goal congruence and risks failure if there is no effective risk assessment carried out.

From both interviews and questionnaires most of the respondents agree that RBIA risk assessment is effective to guarantee survival of the bank and assurances on risk management processes are given.

Responses on the Idea that: Assurances given through RBIA guarantees the strategies of the board ensures bank survival.

| Responses | Strongly agree | Agree | Neutral | Disagree | Strongly Disagree |
|-------------|----------------|-------|---------|----------|-------------------|
| Respondents | 45 | 0 | 10 | 16 | 0 |

| | | | | | |
|------------|-----|---|-----|-----|---|
| Percentage | 63% | 0 | 14% | 23% | 0 |
|------------|-----|---|-----|-----|---|

With reference to the above table 55/71 strongly agree that assurances given through RBIA guarantees the strategies of the board ensures bank survival, 0 agree, 10/71 (14%) are neutral, 16/71 (23%) strongly disagree.

Interviews

Responded 1

Internal auditors when carrying out their assignments using this approach the point of reference is the strategy of the board for that given year they assess whether this ensure survival of the bank, RBIA promotes looking at risks that affect the strategy of the board.

Responded 2

With RBIA its all about goal congruence avoiding the risks that hinder good risk management, focus on the vision of the board for that year and making sure that the strategies are achived and that they guarantee survival of the bank.

The data shows 45/71 (63%) of the respondents agree that assurances given through RBIA guarantees the strategies of the board ensures bank survival. The ICSAZ (2014) supports also noting that IA has to reveal strategies of banks to ensure survival.

10/71(14%) of the respondents are neutral which means they are uncertain on the assurances of the strategies, this was supported by some interview respondents the branch management were not sure on these assurances on guaranteeing bank survival.

16/17(23%) respondents disagree which means assurances on strategies of the board do not give certainty to bank survival. This was supported by some respondents who were interviewed who noted that the assurances are not absolute assurances they cannot be relied upon to guarantee

bank survival. (Dzomira 2014) from literature review supported noting that bank survival is based on good corporate governance by the management not assurances on strategies.

The modal position from the questionnaire point of view is 45 which is lying under agree which and also most of the interview respondents agreed means RBIA assurances on strategies can guarantee survival of the bank and this is more than half of the respondents of the questionnaires, so the assurances can be relied upon. This supported by (Awdat 2015) in his research findings were he pointed out that RBIA incorporates strategies of the board to ensure that they guarantee survival of the bank

From both interviews and questionnaires most of the respondents agree that RBIA assurances on strategies of the board guarantees bank.

4.3.2 Challenges faced when using RBIA

This section aims to establish the extent to which the respondents were aware of the challenges faced when using RBIA:

Responses on the idea that Lack of skills affects assurances given through RBIA.

| Responses | Strongly agree | Agree | Neutral | Disagree | Strongly Disagree |
|-------------|----------------|-------|---------|----------|-------------------|
| Respondents | 53 | 13 | 5 | 0 | 0 |
| Percentage | 75% | 18% | 7% | 0 | 0 |

With reference to the above table 53/71 (75%) strongly agree that lack of skills affects assurances given through RBIA, 13/71(18%) agree, 5/71 (7%) are neutral, 0 disagree and 0 strongly disagree.

Responded 1

RBIA is highly skilled craft it requires knowledge of the units under audit the risks which affect goal congruence, Internal Auditors with this method are required to use high levels of professional judgment in giving assurance. It needs relevant professional and academic qualifications for the audit profession, without skill it is impossible to provide adequate assurances.

Responded 2

Without personnel who have skill it is impossible to give assurances using RBIA it requires being skeptic.

Responded 3

First days of use of RBIA our staff did not have the required skills to use RBIA there was need to initiate training programs to help equip them. Lack of skill is really a factor which affects the assurances given through RBIA

The data shows 68/71 respondents 75% agree that lack of skills affects assurances given through RBIA which means there is need to have skilled Internal Auditors to be able to give as much need assurances on survival of the bank. The (Ayagre 2014) from literature review supported also saying professional competence, including knowledge and experience of auditor is essential to the effectiveness of assurances on the banks survival.

5/71 respondents 7% were neutral which means they were uncertain whether lack of skills affects the assurances of RBIA. According to (Lipunga 2014) from risk management framework needs to be very strong for organization to be able to implement RBIA. Some respondents of interviews were also neutral on this pointing out that provided a risk register the approach would be easy to use.

0/71 of the respondents disagree which means lack of skills affects the assurances through RBIA. Respondents in interviews none of them disagreed the findings were the same as those of questionnaires. (Basel committee of banking supervision 2012) also support saying challenges of assurances of survival of banks comes if the risk management framework is not very strong or does not exist in the bank then then it is not read for RBIA.

The modal position from the questionnaire point of view is 68 which is lying under agree which means that lack of skills affects the level assurances given through RBIA. Most of the interviewees also agree to this which means from all the respondents lack of skill affects assurances through RBIA. This was supported (Jackson and Stent 2014) who pointed that RBIA requires high skill levels to provide reliable assurances on enterprise risk management to guarantee survival of firms.

From both interviews and questionnaires most of the respondents agree that Lack of skills affects the assurances given through RBIA which means there is need to have better trained audit personal to do the job.

Responses on the lack of resources affects RBIA

| Responses | Strongly agree | Agree | Neutral | Disagree | Strongly Disagree |
|-------------|----------------|-------|---------|----------|-------------------|
| Respondents | 18 | 5 | 25 | 23 | 0 |
| Percentage | 26% | 7% | 35% | 32% | 0 |

With reference to the above table 18/71 (26%) strongly agree that lack of resources affects RBIA, 5/71 7% agree, 25/71 35% are neutral, 23/71 (32%) disagree and 0 strongly disagree.

Responded 4

RBIA audit assignments are based on the levels of risks affecting the auditee, risk assessment determines the resources to be used on assignment. So they can never be lack of resources that will affect use of RBIA, maybe human resources not funding and tools required.

Responded 2

Resources affects use of every system, I cannot judge whether it affects or it does not users of the RBIA can determine whether it affects use of risks based approach.

Responded 1

Resources can be a factor on failure to use RBIA, but resources are determined the levels of risk affecting the unit under so it can or might not be a factor in use of RBIA.

This data shows 23/71 (33%) of the respondents strongly agree that lack of resources affects the use of RBIA which means that without enough resources IA auditors can execute their duties reliably to provide the much needed assurances on risk. From literature review (Gamage et al) supported that saying challenges faced by auditors and concluded that due to lack of coordination of accounts staff and lack of management interest in audit activities it affects the budgets provided to the IA for their assignments.

25/71 are neutral 35% of the respondents are neutral which means they are uncertain to whether lack of resources affects the use of RBIA. This is supported by some respondents who said budgets are based on the riskiness of a unit thus resources can be a factor or not maybe lack of appreciation of the approach. This is supported by (Awdat 2015) saying the auditors need to understand the approach before talking about resources.

23/71 of the respondents 32% disagree that which means that lack of resources do not affect the assurances provided through RBIA but lack of knowledge waste resources and time thus failing to use the approach. This is supported by some interview respondents who said lack of time

management wastes resources by the Internal Audit function. (Coetzee and Lubbe 2012) supports this mentioning that need to manage time effectively to finish resources within the time frame is needed to avoid lack of resources.

The modal position from the questionnaire point of view is 25 which is lying under neutral which means lack of resources does is not a major factor on assurances but time management and knowledge. This was the same with the modal position of interview respondents they were neutral on the fact that lack of resources affects use of RBIA.

From both interviews and questionnaires most of the respondents are neutral to the fact that Lack of resources affects RBIA which means that the need of time management is key to be able to finish assignments within the budgets.

Responses on the Idea that Lack of Risk appetite affects use of RBIA

| Responses | Strongly agree | Agree | Neutral | Disagree | Strongly disagree |
|-------------|----------------|-------|---------|----------|-------------------|
| respondents | 34 | 18 | 19 | 0 | 0 |
| Percentage | 47% | 26% | 27% | 0 | 0 |

With reference to the above 34/71(47%) strongly agree that lack of risk appetite affects use of RBIA, 18/71 (26%) agree, 19/71 (27%) are neutral, 0 disagree and 0 strongly disagree.

Interviews

Responded 1

The knowledge of the board risk appetite is a prerequisite on the use of RBIA, without the knowledge of the acceptable levels of the bank the assurances provided by internal audit through RBIA will not be reliable and it will not be executable the approach.

Responded 2

Without the knowledge of the risk tolerance of the bank using RBIA is almost impossible. Auditors need to understand the appetite of the organization to be able to assess risks effectively and give assurances that guarantee enterprise risks management

This data shows 52/71 respondents 73% agree that lack of resources affects use of RBIA which means that there is need for IA to know the level of risk acceptable to the organization and this is more than 50% of the respondents which means statistically it's a requirement to know the risk appetite of the bank. This is supported by (CIA 2017) from literature review risk appetite falls within the remit and scope of Internal Audit.

19/71 respondents 27% are neutral which means they are uncertain whether the knowledge or not of risk appetite affects the use of RBIA. This is supported by a few respondents in the interviews. (Eshikati et al 2012) mentioned that the need to know risks affect the unit under audit is most important.

0/71 of the respondents 0% disagree which means risk appetite awareness is paramount when using RBIA. The findings of interview respondents are the same with those of the questionnaires none disagreed.

The modal position from the questionnaire point of view is 52 which is lying under agree which means risk appetite awareness is paramount in carrying out RBIA. The modal position of the interviewees is the same with questionnaires with most of them agreeing that risk appetite

awareness is key in using RBIA. This is in line with (Ayagre 2014) who pointed out that internal auditors need to understand the acceptable levels of risk of the bank to be able to use RBIA.

From both interviews and questionnaires most of the respondents agree that lack of risk appetite awareness is key to the use of RBIA which means that auditors have to know the acceptable levels of risk of the bank when carrying out assignments.

Responses on the idea that: Lack of audit staff appreciation of RBIA affects use of the approach.

| Responses | Strongly agree | Agree | Neutral | Disagree | Strongly disagree |
|-------------|----------------|-------|---------|----------|-------------------|
| respondents | 15 | 18 | 38 | 0 | 0 |
| Percentage | 21% | 25% | 54% | 0 | 0 |

With reference to the above table 15/71 21% strongly agree that lack of audit staff appreciation of RBIA affects use of the approach, 18/71 25% agree, 38/71 (54%) are neutral, 0 disagree and 0 strongly disagree.

Interviews

Responded 1

If the internal auditors do not take well the requirements of RBIA it will affect its use, the approach is demanding in every aspect of it needs critical thinking and professionally skeptic.

Responded 2

Early days of use of this approach our staff did not appreciate it this affected the operations and it was hard for them to execute assignment based on RBIA.

The data shows that 33/71 respondents 46% agree that lack of audit staff appreciation of RBIA affects use of this approach which means that there is need for internal auditors to have the know how or be trained. This is supported by CIA 2017 pointing out that appreciating the high demanding RBIA is key to its success

38/71 respondents 54% are neutral which means that they are uncertain whether appreciation of the approach affects its use. This is the same with interviewees most were uncertain as to whether lack of appreciation of the approach affects its use.

The modal position from the questionnaire point of view is 38 which is lying under neutral which means lack of appreciation of RBIA affects use of this approach in giving assurances. The interview findings is the same with questionnaires most of them are neutral on this fact.

From both interviews and questionnaires most of the respondents are neutral which means they are uncertain as to whether appreciation of the RBIA affects use of this approach.

4.3.3 IMPACT OF RBIA on internal controls

Responses on RBIA ensuring policies, rules and regulations of the bank if they are adhered to.

| Responses | Strongly agree | Agree | Neutral | Disagree | Strongly disagree |
|-------------|----------------|-------|---------|----------|-------------------|
| respondents | 18 | 8 | 0 | 35 | 10 |
| Percentage | 25% | 11% | 0 | 49% | 14% |

With reference to the above table, 18/71 (25%) strongly agree that RBIA ensures policies, rules and regulations of the bank if they are adhered to, 8/71 11% agreed, 0% agree, 35/71 49% disagree and 10/71 14% strongly disagreed.

Interview

Responded 1

RBIA does not consider policies and regulations it mainly considers the big risks which affect the organization processes it ignores small unit risks such compliance and rules.

Responded 2

With RBIA we consider group wide risks not policies rules and regulations of the bank these are never found in risk appetite of the bank.

The above data shows 26/71 36% respondents agree that RBIA ensures policies, rules and regulations of the bank are being adhered to which means that to some extent RBIA ensures compliance with policies. This is supported by (basel committee of banking supervision 2012) it adds that on the effect of RBIA noting that IA plays a crucial role in the maintenance of policies rules and regulations of the bank.

0/71 are neutral which means none of the respondents are uncertain about. This is also the same with interview respondents the findings none of them were uncertain about RBIA ensuring policies are followed.

35/71 49% of the respondents disagreed which means RBIA does not ensure policies rules and regulations of the bank are followed. This is supported by the interview findings, responded 1 mentioned that RBIA focuses on group wide risks and over looks risks of compliances and

regulations which might affect the bank and most managers who responded supported this point. Basel Committee of Bank Supervision 2012 denounced the involvement of RBIA in the policies rules and regulations of the bank.

The modal position from the questionnaire point of view is 35 which is lying under disagree which means that RBIA does not ensure policies and regulations of the bank are followed. The modal position of the interview respondents disagree similar with questionnaire findings. This is supported by CIA 2017 who pointed out that mostly RBIA considers big risks affecting the enterprise risk management processes.

From both interviews and questionnaires most of the respondents disagree which means that RBIA does not ensure compliance with regulations its focus is on risk assurances affecting the whole group big risks.

Responses on the idea that RBIA contributes to the implementation of controls to ensure risks are considered when formulating controls

| Responses | Strongly agree | Agree | Neutral | Disagree | Strongly disagree |
|-------------|----------------|-------|---------|----------|-------------------|
| respondents | 10 | 5 | 23 | 33 | 0 |
| Percentage | 14% | 7% | 32% | 46% | 0 |

With reference to the above table, 10/71 14% agreed that RBIA approach contributes to the implementation of controls to ensure risks are considered when formulating controls, 5/71 7% agree, 23/71 32% are neutral, 33/71 46% disagreed, 0 disagreed.

Interviews

Responded 1

Implementation of controls is the responsibility of management not the internal audit, RBIA only provides assurances on the reliability of controls to safeguard against business risks. Management might consult audit on the soundness of control and we air out our views.

Responded 2

Audit is not involved in control implementation so RBIA does not contribute to setting controls but it only provides assurances on the reliability of set controls to ensure they good.

The above data shows that 15/71 21% agree that RBIA contributes to the implementation of controls to ensure risks are considered when formulating controls which means IA audit with this approach has an involvement I setting up controls. (Nyarombe et al 2015) supported this by saying the higher the risk area is considered to be by RBIA the more controls have to be tight to avoid collusion.

23/71 the respondents 32% are neutral which means they are uncertain as to whether RBIA contributes to the implementation of controls. This supported by some interviewees, responded 1 pointed out that RBIA cannot be said to have impact on control implementation but jus review. According (financial Service Commission 2013) RBIA identifies control deficiencies not their implementation.

33/71 46% of the respondents disagreed which means that RBIA does not impact the implementation of controls and its most of the respondents are disagreeing statistically RBIA

does not impact implementation. Most of the interview findings corresponded with questionnaires with most respondents disagreeing the involvement of RBIA in implementation of controls. This is also supported by (Nartey et al 2014) from literature review denounced the involvement of IA in control implementation.

The modal position from the questionnaire point of view is 33 which is lying under disagree which means RBIA does not contribute to the implementation of controls. This is supported by the interview respondents most of the interviewees disagreed to the involvement of RBIA to the implementation of controls. This is in relation to what (Ayagre 2014) said that RBIA does not consider small unit risks such as policies and rules this is usually not in the risk appetite of the bank.

From both interviews and questionnaires most of the respondents disagree which means that RBIA does not contribute to the implementation of controls to ensure risks are considered when formulating controls.

Responses on the idea that internal controls are effectively applied and can be considered reliable and can be considered reliable and a noble base for RBIA.

| | | | | | |
|-----------|----------------|-------|---------|----------|-------------------|
| Responses | Strongly agree | Agree | Neutral | Disagree | Strongly disagree |
|-----------|----------------|-------|---------|----------|-------------------|

| | | | | | |
|-------------|---|-----|-----|-----|---|
| Respondents | 0 | 23 | 28 | 20 | 0 |
| Percentage | 0 | 32% | 39% | 20% | 0 |

With reference to the above table, 0/71 0% agreed that internal controls are effectively applied and can be considered reliable and can be considered reliable and a noble base for RBIA, 23/71 32% agreed, 28/71 39% were neutral, 20/71 29% disagreed and 0% strongly agreed.

Interviews

Responded 1

The starting point for all audit plans is the understanding of the control environment of the bank unit to be able to effective risk assessment controls need to be sound to ensure good assurances. Internal controls are an noble base for RBIA that's how risk identification is done.

Responded 2

RBIA requires having a sound control environment to ensure effective risk assessment. It is the starting point when planning for audits.

The data 23/71 respondents 32% agree that internal controls are effectively applied and can be considered a reliable and a noble base for RBIA which means internal controls form the basis for risk assessment thus being able to give assurances. (Terje 2016) from literature review points out that to be able to assess risk under RBIA there need to be effective internal controls.

28/71 respondents 39% were neutral which means they are uncertain as to whether internal controls are effectively applied and can be considered a noble base for RBIA. Most of the interview responded were neutral on this, responded 5 pointed out the establishment of reliable

risk register can be regarded as the noble base for RBIA. According to (Ali et al 2012) notes that the reliable base for RBIA is risk assessment before attending to controls of an audit unit.

20/71 respondents 29% disagree that internal controls are effectively applied and can be considered reliable and noble base for RBIA which means internal controls cannot be relied on by RBIA. This was supported by some interviewees the principal auditor of ZBFHL pointed out that controls can be easily circumvented risk assessment is independent of individuals of the auditee thus it will provide a reliable base for RBIA than controls. This is supported by Jackson and stent (2014) from literature review pointing out that assurances based on effective risk assessment provides better assurances on risk management.

The modal position from the questionnaire point of view is 28 which is lying under neutral which means respondents are uncertain as to whether to rely on internal controls to provide assurances.

The modal position of interview respondents most of them were neutral same as the findings of the questionnaire.

From both interviews and questionnaires most of the respondents are neutral which means that RBIA cannot solely depend on risk assessment but rather audit tools like risk assessment to ensure much needed assurances on the risk facing the bank.

Responses on the idea that RBIA ensures the nature of the controls in the bank emphasize on accountability and transparency

| Responses | Strongly agree | Agree | Neutral | Disagree | Strongly disagree |
|-------------|----------------|-------|---------|----------|-------------------|
| Respondents | 1 | 23 | 20 | 27 | 0 |

| | | | | | |
|------------|----|-----|-----|-----|---|
| Percentage | 1% | 32% | 28% | 38% | 0 |
|------------|----|-----|-----|-----|---|

With reference to the above table, 1/71 1% agreed that RBIA ensures the nature of the controls in the bank emphasize on accountability and transparency, 23/71 32% agree, 20/71 28% were neutral, 27/71 38% disagreed and 0 strongly disagreed.

Interviews

Respondents 1

RBIA promotes transparency and accountability through ensuring that there is sound control environment.

Responded 4

RBIA gives assurances on the reliability of controls to ensure that they promote good governance within the organization to ensure reliability and transparency.

The data 24/71 24/71 33% of the respondents agreed which means that RBIA ensures the nature of controls in the bank emphasizes accountability and transparency. The finding of the interviews also supported the findings of the questionnaire with most of the respondents agreeing, the respondents mentioned the assessment of controls checks for accountability and transparency and branch managers noted that reviews of controls help ensure transparency.(Dzomira 2015) from literature support this saying to improve reliance of controls and improve assurances IA in banks need make sure there types of control activities approval, authorization and segregation of duties to ensure accountability.

20/71 respondents 28% are neutral which means they are uncertain as to whether RBIA ensure the nature of controls in the bank emphasize on accountability and transparency. A few respondents of interviews were neutral.

27/71 of respondents 38% disagree which means RBIA does not ensure the nature of controls in the bank emphasize accountability. This is supported by most interview respondents noted that the nature of controls is the duty of management to ensure there is transparency and accountability not Audit, the responded 1 pointed out that it is the duty of internal to assesses effectiveness of controls not to ensure their nature guarantees transparency. This also supported by Jackson and Stent (2014) internal controls is process designed, maintained by those charged with governance management and ensures their nature promotes accountability and transparency.

The modal position from the questionnaire point of view is 28 which is lying under disagree which means that the respondents are uncertain whether RBIA ensures that nature of the controls in the bank emphasize accountability and transparency. Most interviewees were also disagreeing same as the findings of questionnaires.

From both interviews and questionnaires most of the respondents disagreed which means that RBIA does not ensure that nature of the controls in the bank emphasize on accountability and transparency.

Responses on the idea that RBIA guarantees internal controls contribute to the survival of the bank.

| | | | | | |
|-----------|----------------|-------|---------|----------|-------------------|
| Responses | Strongly agree | Agree | Neutral | Disagree | Strongly disagree |
|-----------|----------------|-------|---------|----------|-------------------|

| | | | | | |
|-------------|-----|-----|---|-----|---|
| Respondents | 8 | 23 | 0 | 40 | 0 |
| Percentage | 12% | 32% | 0 | 56% | 0 |

With reference to the above table, 8/71 11% agreed that RBIA guarantees internal controls contribute to the survival of the bank, 23/71 32% agreed, 0 were neutral, 56% disagreed and 0% strongly agreed.

Interviews

Responded 1

RBIA provides assurances on the soundness of internal controls that they promote accountability and transparency to guarantee survival of the bank.

Responded 4

When controls are being implemented audit is consulted to assess the reliability of internal controls to safeguard the bank from collapse due to lack of transparency.

The data shows that 31/71 respondents 44% agreed that RBIA guarantees internal controls contribute to the survival of banks which means through monitoring of controls done under RBIA assurances is given on controls on the ability to guarantee bank survival. This is also supported by the findings of interviews, responded 3 and 4 pointed out that through assessment controls are also looked and their ability to safe guard bank survival to avoid frauds. This also supported in literature by ICSAZ (2014) points out that successful monitoring of controls is achieved by ongoing assessment by internal audit.

0/71 of the respondents were neutral which means none of the respondents were uncertain whether RBIA guarantees internal controls contribute to the survival of the bank.

40/71 56% of the respondents disagreed which means RBIA does not guarantee internal controls contribute survival of the bank. Most of the interviewees disagreed arguing that it is duty of departmental managers not internal audit, the head of internal audit also added that IA duty is to assesses effectiveness of control not to give guarantees. This supported in literature review by CIA 2017 management set up internal control with intention of reducing risks that the bank objectives are met.

The modal position from the questionnaire point of view is 40 which is lying under disagree which means RBIA does not guarantee internal controls contribute to the survival of the bank, most of the interview respondents findings also disagreed the modal position of interview was heavily linked with disagree.

From both interviews and questionnaires most of the respondents disagreed which means that RBIA does not guarantee internals contribute to the survival of the banks.

4.3.4 RBIA and survival of the Bank

The study sought to establish the relationship between RBIA and bank survival through the bank respondent's. The responses received are presented in tables below.

Table 4.3 responses

| | | | | | | | |
|--|-------------------|-------|---------|----------|----------------------|------|-----------|
| | Strongly agree | Agree | Neutral | disagree | Strongly disagree | Mean | St dev |
|--|-------------------|-------|---------|----------|----------------------|------|-----------|

| | | | | | | | |
|---|---------|---------|---------|---------|--------|------|------|
| Good corporate governance through RBIA ensures survival of the bank | 21(30%) | 50(70%) | 0 | 0 | 0 | 4.54 | 0.64 |
| RBIA considers the risk of lack of consumer confidence in the banking | 40(56%) | 23(32%) | 8(11%) | 0 | 0 | 4.92 | 0.88 |
| RBIA impact on internal controls ensures Bank survival | 40(56%) | 8(11%) | 23(8%) | 0 | 0 | 4.59 | 0.59 |
| RBIA foster consumer confidence and bank survival | 0 | 0 | 23(33%) | 40(56%) | 8(11%) | 4.74 | 0.64 |
| RBIA hinges on risk management and promotes bank survival | 40(56%) | 23(32%) | 8(11%) | 0 | 0 | 4.60 | 0.57 |

| | Strongly agree | Agree | Neutral | Disagree | Strongly disagree | mean | Std dev |
|--|----------------|---------|---------|----------|-------------------|------|---------|
| Risk based internal auditing is the best | 18(25%) | 15(21%) | 20(28%) | 10(15%) | 8(11%) | 4.46 | 0.45 |

| | | | | | | | |
|---|---------|---------|--------|---|---|------|------|
| practice to mitigate risks to ensure good risk management | | | | | | | |
| Adequate attention is being given to the following key inherent risk(1) credit risk(2) market risk(3) operational risk through Risk based Audit Approach. | 23(32%) | 20(28%) | 8(12%) | 0 | 0 | 4.11 | 0.39 |
| Assurances given through Risk Based Audit ensure bank survival | 23(32%) | 20(28%) | 8(12%) | 0 | 0 | 4.11 | 0.39 |
| ZBFHL adopted RBIA to ensure enterprise risk management as the best practice as evident through identifying risk, measure risk and mitigate risk | 40(56%) | 23(32%) | 8(12%) | 0 | 0 | 4.56 | 0.67 |
| Resistance of change of | 23(32%) | 48(68%) | 0 | 0 | 0 | 4.63 | 0.66 |

| | | | | | | | |
|--|---------|---------|---------|---|---|------|------|
| audit approach by Internal auditors affect the assurance level on risks. | | | | | | | |
| Good risk management ensures survival of the bank. | 40(56%) | 20(28%) | 11(16%) | 0 | 0 | 4.31 | 0.40 |

From the findings, majority of respondents agree that Good corporate governance through RBIA ensures survival of the bank ,RBIA considers the risk of lack of consumer confidence in the banking, RBIA impact on internal controls ensures Bank survival ,RBIA foster consumer confidence and bank survival ,RBIA hinges on risk management and promotes bank survival as indicated as indicated by a mean of 4.54 , 4.92 ,4.59, 4.74, 4.60 with a standard deviation of 0.64, 0.88 ,0.59 ,0.64,0.57. Similarly most of the respondents indicated that Risk based internal auditing is the best practice to mitigate risks to ensure good risk management ,Adequate attention is being given to the following key inherent risk(1) credit risk(2) market risk(3) operational risk through Risk based Audit Approach, Assurances given through Risk Based Audit ensure bank survival ,ZBFHL adopted RBIA to ensure enterprise risk management as the best practice as evident through identifying risk, measure risk and mitigate risk ,Resistance of change of audit approach by Internal auditors affect the assurance level on risks, Good risk management ensures survival of the bank with a mean of 4.46, 4.11, 4.11, 4.56, 4.63, 4.31 with a standard deviation of 0.45, 0.39, 0.39, 0.67, 0.66, 0.40. This is in line with (Dzomira 2015) and (Awadat 2014) finding

who concluded that good risk management and corporate governance through RBIA ensures survival of banks in banking sector.

Table 4.5 responses on Liquidity, Solvency and stability of Non-performing Loans

| | Strongly Agree | Agree | Neutral | Disagree | Strongly Disagree | Mean | St dev |
|---|----------------|---------|---------|----------|-------------------|------|--------|
| RBIA considers Liquidity risks and solvency as important to ensure survival of banks | 40(56%) | 13(19%) | 18(25%) | 0 | 0 | 4.72 | 0.69 |
| RBIA assurance on non-performing guarantees risk associated with them to ensure survival of the bank. | 23(32%) | 15(21%) | 10(14) | 10(14%) | 13(19%) | 4.65 | 0.54 |

The findings show that majority of respondents agree that considers RBIA considers Liquidity risks and solvency as important to ensure survival of banks, RBIA assurance on non-performing guarantees risk associated with them to ensure survival of the bank with a mean 4.72, 4.65 with standard deviations 0.69, 0.54 respectively

Table 4.6: Regression Coefficients

| | Coefficient | Standar d error | T Stat | p- value | Sig- f | Upper 95% | Lower 95.0% | Upper 95.0% |
|--|--------------------|--------------------|--------|-------------|--------|--------------|----------------|----------------|
| Intercept | 5.9063 | 6.4716 | 5.4819 | 0.6375 | 0.0013 | 10.76 | 16 | 10.7 |
| Good risk managemen t | 4.8210 | 2.3527 | 2.1726 | 0.8661 | 0.0210 | 5.681 | 4.839 | 5,681 |
| Good through RBIA corporate governance | 3.6235 | 6.4778 | 12.790 | 0.4421 | 0.0015 | 8.77 | -18 | 8.77 |
| Liquidity solvency and non- performing loan levels | 2.3257 | 2.8084 | 8.8607 | 0.4594 | 0.0011 | 22.88 | 43.93 | 21.88 |
| Internal conrols | 3.446 | 2.1599 | 15.904 | 0.3808 | 0.0032 | 2.674 | 6.650 | 2.672 |
| Financial leverage | 1.3959 | 2.5714 | 6.619 | 0.5452 | 0.0043 | 3.924 | 7.012 | 3.911 |

| | | | | | | | | |
|-----------|--------|--------|--------|--------|--------|-------|-------|-------|
| Bank size | 1.4253 | 15.808 | 7.8607 | 0.4594 | 0.0035 | 22.99 | 43.93 | 21.88 |
|-----------|--------|--------|--------|--------|--------|-------|-------|-------|

Source: Research findings

- a. predictors: constant, good risk management , internal controls , good corporate governance, liquidity solvency and stability of non-performing loans, financial leverage and bank size
- b. Dependent variable: Survival of the Bank

$$\text{Economic Value Added} = 5.906 + 4.8210X_1 + 3.623X_2 + 2.325X_3 + 3.446X_4 + 1.239X_5 + 1.324X_6$$

Where

β_0 = constant

β_1 = good risk management as measured from the likert scaled questionnaire

β_2 = internal controls as measured from the likert scaled questionnaire

β_3 = good corporate governance

β_4 = consumer confidence in the sector

β_5 = liquidity, solvency and non-performing loans level

X_4 = consumer education

X_5 = non- performing loan stability and liquidity management

X_3 = strengthening the legal and regulatory framework

X_6 = bank size as measured from the by the natural logarithm of total assets

E = standard errors

From the above a positive relationship between RBIA and bank survival was established with a unit increase in risk management leading to a significant decline in non-performing loans as reflected by $r = 4.821$, $P = 0.023 < 0.05$. The study also a positive relationship between RBIA and

liquidity, solvency, stability of non-performing loans, good risk management considering of various risks facing the bank , internal controls and consumer confidence in the sector to ensure survival with $(r= 3.623, P=0.0015 < 0.05)$, $(r=(2.325), P=0.0011 < 0.005)$, $(r=3.446, P=0.0032 < 0.005)$. In addition the study also established a positive relationship between RBIA at ZBFHL and financial leverage with $r= 1.395, P= 0.0043$ as well as between RBIA and the bank size $r= 1.425, P=0.0025 < 0.05$.

Table 4.7: Analysis of variance

| | Df | SS | MS | f | Significance f |
|------------|----|----------|--------|--------|-------------------|
| Regression | 23 | 50.63 | 10.123 | 11.827 | 0.015508 |
| Residual | 48 | 169.3755 | 12.241 | | |
| Total | 71 | 231.0078 | | | |

Source: Research Findings

From the above analysis of variance a significant goodness of fit between variables was confirmed $F=11.827, P=0.0155 < 0.05$

Table 4.8 Regression Statistics

| Regression Statistics | | Significance F |
|-----------------------|--------|----------------|
| Multiple R | .88701 | |
| R Square | .786 | |
| Adjusted R Square | .764 | |
| Standard Error | 0.479 | |
| Observations | 71 | 0.001 |

Source: Research Findings

From the above regression the study established that there existed a significant correlation between the observed and predicted values of dependent variable with an R^2 of 0.786 between RBIA and survival of the bank. A significant positive variation between RBIA and bank survival was adjusted R^2 0.764, $P=0.001 < 0.05$.

4.3.4.1 Interpretation of findings

From the regression model it was found that bank survival would be at 5.906 holding good risk management, good corporate governance, solvency, liquidity management and stability of non-performing loans stability and internal controls. It also came to the fore that a unit in the determinants through RBIA would positively impact on the survival of the bank. Findings from the study suggest that a firms risk management framework is high associated with RBIA in the bank. The findings concur with (Awdat 2012) who found out that the risks cover by RBIA audits will exist in all parts of the bank and audit with therefore include managers in departments never visited before. The findings established that RBIA has significant positive relationship through the use of effective risk assessment to ensure bank survival.

The study found out that an increase in financial leverage and bank size through stability of non-performing loans solvency liquidity management positively impact on the survival of the bank through the use of RBIA. This concurred with (Awadat 2014) who investigated RBIA impact to improve financial performance in Jordanian banks.

4.3.5 Other options other than RBIA that ensure survival of the bank

Responses on the idea that there are other options other than RBIA for internal audit function

| Responses | Strongly agree | Agree | Neutral | Disagree | Strongly disagree |
|-------------|----------------|-------|---------|----------|-------------------|
| Respondents | 0 | 71 | 0 | 0 | 0 |
| Percentage | 0 | 100% | 0 | 0 | 0 |

With reference to the above table 71/71 100% respondents agreed that there other options other RBIA for the internal audit function, 0/71 neutral, 0/71 disagree, 0/71 strongly disagree.

Responded 1

There many various audit approaches other than RBIA for the internal audit function.

Responded 2

Traditional audit approaches such as compliance/controls audit approach are there other than RBIA.

The above data shows that 71/71 100% agreed which means there other options other than RBIA for internal audit. This is also supported by all the respondents of interview, respondent 3 and 4

agreed that there are other options than RBIA for internal audit. According to IIA 2017 it notes there other approaches like compliance based audit for audit.

0/71 are neutral which means none of the respondents were uncertain whether there are other options for IA other than RBIA This also supported by interview respondents with none of them disagreeing..

0/71 disagreed which means none of the respondents disagreed that there other options other than RBIA. This also supported by interview respondents with none of them disagreeing.

The modal position from the questionnaire point of view is 71 which is lying under agree which means that there other options other than RBIA for IA. This is the same as the modal position of interview respondents with all the all of them agreeing.

From both interviews and questionnaires most of the respondents agreed which means that there are other options for IA other than RBIA.

Responses on the idea that these options provide better assurances than RBIA.

| Responses | Strongly agree | Agree | Neutral | Disagree | Strongly disagree |
|-------------|----------------|-------|---------|----------|-------------------|
| Respondents | 0 | 10 | 0 | 55 | 6 |
| Percentage | | 15% | 0% | 77% | 8% |

With reference to the above table 0 strongly agree that these options provide better assurances other than RBIA, 10/71 agree, 0/71 neutral, 55/71 77% disagree and 6/71 8% strongly disagree.

Responded 1

These approaches do not provide better assurances other than RBIA

Responded 2

Modern day auditing RBIA is the best approach on providing wide enterprise risk management processes.

The data shows 10 out of 71 15% agree which means these options provide better assurances than RBIA in some circumstances such as compliance audit RBIA overlooks compliance audits. A few of the interview respondents also agreed, the principal auditor of ZBFHL pointed out that there are some circumstances where traditional audit approaches provide better assurances than RBIA. This is supported by (Lipunga 2014) in literature he pointed out that internal audit needs to focus on compliance audits to ensure regulations of the bank are met.

0/71 of the respondents are neutral none of them were uncertain whether these options provide better assurances. This is also supported by interview findings which had the same findings as questionnaires.

61/71 85% of the respondents disagree that these options provide assurances better than RBIA, which means these options do not provide the much needed assurances on risk management. This is supported by most of the interviewees, respondent 1 pointed out that no other approach provides better assurances than RBIA, other respondents also supported that pointing out RBIA provides much needed assurances on wide enterprise risk management. This is also supported in literature review by (Awdat 2014) he pointed out that RBIA is best practice to provide assurances in banks.

The modal position from the questionnaire point of view is 61 which is lying under agree which means that there other options other than RBIA do not provide better assurances than RBIA. This is the same as the modal position of interview respondents with all the all of them agreeing.

From both interviews and questionnaires most of the respondents agreed which means that other options for IA other than RBIA do not provide much needed assurance on risk management processes.

4.5 Summary

Chapter four looked at data presentation and analysis and it provided a brief discussion on the findings from the research. It also gave a brief analysis of the general responses of the respondents. The next chapter focuses on the conclusion and recommendation.

CHAPTER 5

CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter has a summary of the study outcomes, the conclusions of the study and the research recommendations. The chapter also show the limitations of the study and suggestions on areas which need additional research.

5.1 Summary of chapters

Chapter one covered introduction , background of the study and the problem statement was that internal audit are mainly focusing on fault finding on past events and adherence to controls due to the of traditional approaches compliance/controls based audits which do not add value to the enterprise risk management processes. These approaches do give assurance on risk they only report the existence of the risks (Awdat 2015), compliance audits do no assess the ability to reduce risk (Ayagre 2014), some high risks areas are branded risk free yet they are not and it does not consider the risk appetite of the bank. The objectives of the study were (1) to examine the assurance given through RBIA whether they guarantee bank survival(2) to identify the challenges faced when using RBIA in assessing bank survival (3) to examine the impact of RBIA on the implementation of controls to avoid overrides and ensure survival (4) to identify other options other than RBIA and determine whether they ensure survival of the bank.

Chapter two focused on the related literature on the role of RBIA on assurance of enterprise wide risk management processes to ensure survival of banks. Literature by other authors provided the researcher with guidelines to the role of RBIA on assurance of enterprise wide risk management

processes at ZBFHL to ensure survival of banks in Zimbabwe. (Awdat 2015) pointed out that effective risk assessment through RBIA allows internal audit functions to consider how potential events might affect survival of bank. Internal audit should understand organizations key risks and proactively identify emerging risks in order to add value (IIA 2015), IA need to focus on risk based audit for assurance on risks to ensure survival of banks and conducts continuous risk assessment (Coetzee and Lubbe 2012, Ayagre 2014).

Chapter three presented ways in which data was collected for the research. The research used a mixed approach which involves collecting, analyzing and integrating quantitative and qualitative data (Cameron 2015), this approach had an integrative component which provides strengths that offset the weaknesses of both quantitative and qualitative research by using both approaches the strengths of each approach makes up for the weaknesses of the other (Creswell 2013). Quantitative methods emphasizes objective measurements of and the statistical mathematical analysis of data collected through surveys, polls questionnaires by manipulating preexisting statistical data using computational techniques (Cameron 2015). This study made use of questionnaires to obtain raw data. Qualitative methods are more useful in the early stages of the study when the researcher maybe unsure of exactly what will be focused on (Creswell 2015).The target population was selected from the following internal audit, risk department, middle management, top management and other banks internal audit and risk management departments. Sample size selected was one hundred. The sample was collected by means of stratified sampling technique. Questionnaires and interviews were used to gather required data %for the research.

Chapter four presented and analyzed the data obtained from questionnaires and interview conducted. The questionnaires response rate was 71 % and interview response rate 75%. Data

collected was presented and analyzed the findings using the mode and percentages were used to present the results.

5.2 Summary of major findings

The following are the project's major findings:

- **Assurance of RBIA on survival of the bank**

RBIA ensures all the activities of the bank falls within the scope of the audit (Basel Committee of B supervision 2012), audit having to audit all areas of the bank operations assurance on enterprise risk management can be given on the bank as a wgole and increases chances of survival bank in an unstable macroeconomic environment. Audit plans are based on the risk appetite of the bank (ERM Undestaning and Communicating Risk Appetite, COSO 2012) audits being based on the acceptable levels of risk acceptable to the board will improve assurances on the risk management of the bank hence providing more survival chances. Assignments based on the risk appetite of the bank will help reporting on significant risks regarded by the board. RBIA considers group wide risks facing the bank as a whole (Awdat 2015). Assurances given through RBIA guarantees the strategies of the board ensure bank survival. RBIA risk assessment is effective to guarantee survival of the bank (Gamage et al 2014), to ensure much needed assurances on ERM RBIA provides enough risk assessment before carrying out audit assignments. From the interview respondents the modal position of the interviews with most of the pointing out that RBIA gives assurances on enterprise wide risk management to guarantee survival of the bank, it considers all the activities of the bank in audit scope and the pointed out that all the plans will based on the risk appetite of the bank and it has

effective risk assessment to guarantee survival. All the respondents pointed out that RBIA assurances guarantee bank survival

- **Challenges faced when using RBIA**

The interview and questionnaire respondents modal position pointed out the challenges faced when using RBIA, they pointed lack of skills affects the assurances given through RBIA there is need training of audit staff to ensure they provide the adequate assurances on risks management processes, they is also pointed out that lack of resources and knowledge of the risk appetite of bank affects assurances given through RBIA. lastly they pointed out that if audit staff do not appreciate RBIA it will affect its use and the assurances provided on risks. Lack of skills set is lacking for IA to properly perform its consulting role and provide and provide assurances on ERM to ensure survival of the bank affects assurances given through RBIA (Ayagre 2014) RBIA requires both knowledge and technical skills to ensure its success there is need for continuous training to equip internal auditors for this approach. Failure of audit staff to appreciate the approach will affect the assessment of risk and the assurances provided (CIA 2014). RBIA is based on the risk appetite of the bank since it considers group wide risk there is need for IA to be familiar with acceptable risk of the bank. Approach taken by internal audit will depend on the organization risk management maturity including whether risk appetite is fully defined , communicated and understood at all levels of the organization and many internal auditors lack the knowledge of the acceptable risks in the organization (Eshitikhati 2012). RBIA focuses more on group wide risk rather than unit risks facing various departments of the bank mentioned most of the interview and questionnaire respondents it ignores risk such as legal and compliance because of its wide approach.

- **Impact of RBIA on Internal Controls**

The modal position of the questionnaire and interview respondents reported to use RBIA on the control system in their departments and they indicated that RBIA has an influence in setting up controls of the bank through providing assurances on the effectiveness of internal controls. The study indicated that RBIA influences implementation of internal controls system. From the responses the internal controls five elements: control environment, the company's risk assessment procedures, control activities and monitoring of controls are all effectively reviewed under RBIA to ensure effective operation of Internal controls. It is concluded that challenges faced in implementation of RBIA approach in implementation of controls to ensure wide enterprise risk management are: lack of relevant knowledge, lack of experience, lack of proper tools to identify risks and lack of relevant principle or guide lines (Nyarombe et al 2015). RBIA ensures internal controls are effectively applied and can be considered reliable and noble base for RBIA risk assessment (FSC 2013). The approach guarantees internal controls contribute to the survival of the bank. RBIA contributes to the implementation of controls to ensure risks are considered when formulating controls to ensure they are risk oriented.

- **RBIA and bank survival**

The research established that there is a significant positive relationship between RBIA and survival of the bank through use of effective risk assessment. This achieved by the following determinants good risk management, internal control soundness, solvency

liquidity and stability of non-performing loans. This is in accordance with (Marate 2014) who also established a positive relationship between RBIA and profitability of firms.

- **Other options other than RBIA that ensure survival of the bank**

Majority of the respondents reported that there are other audit approaches for the IA function which include compliance /controls based, system based audit and traditional approaches. All the approaches are good but do not provide much needed assurances on ERM, they overlook inherent risks of some business units (Nyarombe et al 2015). These approaches do not consider the acceptable levels of risks of the bank that is its risks appetite, procedures take more than two years to be reformed they not good to give assurances on the survival of the bank through providing assurances on ERM. RBIA gives better assurances on wide enterprise risk management than the other audit approaches (Awdat 2015 and Basel Committee of bank Supervision 2012) , since it considers group wide risks and plans are based on the risk appetite of the bank. RBIA hinges on risk management and it promotes bank survival, it is the best practice to mitigate risks to ensure good risk management. Adequate attention is given to the following key inherent risk, credit risk, market risk and operational risk. Assurances given through risk based audit ensure bank survival. ZBFHL adopted RBIA to ensure enterprise wide risk management since it is the best evident approach of identifying, measuring and mitigating risk. The only challenge with RBIA it considers big risks group wide risks it overlooks some unit risks such as legal and compliance risks, the study concluded to ensure all risks facing the bank are given assurance to guarantee survival of the bank.

5.3 CONCLUSION

Developments in the economic and social life in the world increased work intensity and work rate also the volume of businesses has expanded greatly. To control each process in terms of both time and resources has been difficult and this raised the need use suitable audit approach. The changes led to the risk activities becoming inevitable and foreseeable, detection and mitigation of risks that may occur has become a necessity. From 2004 risk nature of banks significantly changed, after accounting tricks, lack corporate governance, deep rooted risk management failures and the problems led to closure of many banks in Zimbabwe, such as Time Bank, Interfin bank, Royal Bank and Beverly. These cases made banks more vulnerable to risks that made various methods to measure and manage risks by IA functions in the banking sector. The traditional audit approaches used until that day became inadequate to provide assurances on enterprise risk management of the banks to ensure survival in the unstable economy. At ZBFHL, modifying the structure of internal audit, it has been focusing on traditional approaches it has now been directed towards RBIA that focus on group wide risks and provides better assurances than other approaches on enterprise risk management to ensure survival of the bank.

The internal audit and risk management activities which were the two concepts that considered independently of each other in the past are becoming to enter interaction with one another and use each other's outcomes intensely, IA audits need to have knowledge of the risks register of the bank so as to be aware of the risk appetite of the bank since RBIA is hinged on risk management to ensure better assurances on wide enterprise risk management to guarantee survival of the bank. At ZBFHL internal audit adopts RBIA approach and the internal plans are developed on this framework. RBIA is an approach based on the basis of determination of risk status of an enterprise Jackson and Stent (2014), the audit process will be in accordance with the

risk appetite of the bank and to allocate audit resources accordingly. With RBIA approach to internal audit's perspective on risk and audits changed and audit have been offered an opportunity to create more value.

Risk appetite will be discovered primarily in the risk- based internal auditing and issues of scope of audit activities will include all the activities of the bank to ensure survival of the bank, effect of RBIA on the implementation of internal controls, RBIA assurances on ERM to guarantee survival of the bank and the allocation of resources is shaped according to risks. The most important step in RBIA is risk assessment. Risk assessment is should seriously be considered as component of internal control and enterprise risks management.

For RBIA approach to ensure survival from risk based auditing assurances on ERM a high level of risk maturity is required. Internal audit only provide assurance to existing risk management framework. Existence of an efficiently functioning enterprise risk management system is desirable. Risks identified poses a source for the RBIA, if risk management is inadequate in the bank internal controls should provide support in encouraging the system in this aspect. Thus in light of the risks results obtained in the study, RBIA is depended on an effective risk management to ensure assurances enterprise wide risk management guarantee survival of the bank.

A significant positive relationship was also established RBIA and bank survival through the use of regression model through the use of inferential statistics. RBIA ensures good risk management, good corporate governance though assurances on all bank activities based on its risk appetite.

The research was a success as this can be supported by the results from the findings. The results clearly show RBIA as the audit technique which can provide better assurances to risk management processes of the bank. This is indicated by the adoption of the approach at ZBFHL abandoning the traditional approaches to ensure wide risk management assurances is provided.

5.4 Recommendations

- To enhance the use of RBIA internal auditors should also be given more funds to enable them to be more robust and active in their duties or they revert to pre-audit systems, interviewing senior managers stakeholders and appointing authorities to learn what they expect from an internal audit function and remaining flexible ready to continuously adapt change.
- RBIA should be enhanced so as to improve assurances on enterprise risk management at ZBFHL to ensure survival of the bank, in order to achieve this it recommended that management of the bank should emphasize on internal auditors understanding the RBIA approach and in particular embrace risk assessment to understand work environment in risk assessment to ensure assurances on risk management guarantee survival of the bank.

5.5 Further areas of study research

The research did not consider all the aspects of RBIA. The researcher proposes further research on the redefining of RBIA to attend to unit risks not just considering big risks and overlooking legal risks. A comparative study of RBIA in the private sector to establish the level of use if any.

5.6 Chapter summary

The chapter covered the chapter summaries, major findings , conclusion , recommendations and suggested areas of further study.

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Appendix 1

COVER LETTER



Midlands State University
Established 2000

Our Hands, Our Minds, Our Destiny

Faculty of Commerce
Department of Accounting
P Bag 9055
Gweru

03 April 2018

To Whom It May Concern

Dear Sir / Madam

R.E: REQUEST TO CARRY OUT RESEARCH

Mutara Kudzanai (R144327V) is a student at this institution in the department of Accounting. He is carrying out a research on the role played by the internal audit function on the survival of banks in the Zimbabwean banking sector.

Any information you give him will be used solely for academic purposes. Please assist him in any way possible.

Yours Faithfully

Chairperson

MIDLANDS STATE UNIVERSITY



ESTABLISHED 2000

QUESTIONNAIRE

This questionnaire has been administered by Kudzanai Mutara a student from the Midlands State University. The student wishes to assess the effectiveness of risk based internal audit within the organization. The information obtained will strictly be used for academic purposes and high level of confidentiality shall be maintained over the d*ata. Your cooperation is highly appreciated.

Instructions

1. Do not write your name on the questionnaire
2. Show response by ticking the respective answer box where applicable and or filling in the spaces provided
3. If not certain of your response omit the question

1. Position.....

2. Work experience

a) Under 1yr [] b) 1-5yrs [] c) 5-10yrs [] d) over 10yrs []

3. Qualifications

HACC [] ACCA [] CIA[] CA[] CIS[]

Other Specify.....

The following questions require the respondents to indicate their views and knowledge about auditing and performance by ticking in the appropriate box. There is a Likert scale rating. 1- strongly agree, 2- agree, 3- neutral, 4-disagree, 5- strongly disagree.

4) Assurance of RBIA on survival of the bank.

| | Strongly agree | Agree | Neutral | Disagree | Strongly disagree |
|--|-----------------------|--------------|----------------|-----------------|--------------------------|
| RBIA ensures all the activities of the bank fall within the scope of the audit function. | | | | | |
| RBIA ensures audit plans are based on the risk appetite of the bank | | | | | |
| RBIA risk assessment is effective to guarantee survival of the bank | | | | | |
| Assurances given through RBIA guarantees the strategies of the board ensures bank survival | | | | | |

5) Challenges faced when using RBIA

| | Strongly | Agree | Neutral | Disagree | Strongly |
|--|-----------------|--------------|----------------|-----------------|-----------------|
| | | | | | |

| | Agree | | | | Disagree |
|---|-------|--|--|--|----------|
| Lack of skills affects assurances given through RBIA. | | | | | |
| Lack of resources affects RBIA | | | | | |
| Lack of risk appetite awareness affects use RBIA | | | | | |
| Lack of audit staff appreciation RBIA affects use of this approach. | | | | | |
| Shortage of resources affects assignments carried based on RBIA. | | | | | |

6) Impact of RBIA on Internal Controls

| | Strongly Agree | Agree | Neutral | Disagree | Strongly Disagree |
|---|----------------|-------|---------|----------|-------------------|
| RBIA ensures Policies, rules and regulations of the bank are being adhered to | | | | | |
| Risk based audit approach contributes to the implementation of controls to ensure risks are | | | | | |

| | | | | | |
|--|--|--|--|--|--|
| considered when formulating controls | | | | | |
| Internal controls are effectively applied and can be considered reliable and a noble base for RBIA | | | | | |
| RBIA ensures the nature of the controls in the bank emphasize on accountability and transparency | | | | | |
| RBIA guarantees Internal controls contribute to the survival of the bank | | | | | |
| Internal controls safeguard inherent risks through RBIA | | | | | |

7) RBIA and bank survival

| | Strongly agree | Agree | Neutral | Disagree | Strongly disagree |
|---|----------------|-------|---------|----------|-------------------|
| Good corporate governance through RBIA ensures survival of the bank | | | | | |
| RBIA considers the risk of lack of consumer confidence in the banking | | | | | |
| RBIA impact on internal controls ensures Bank survival | | | | | |

| | | | | | |
|---|--|--|--|--|--|
| RBIA foster consumer confidence and bank survival | | | | | |
| RBIA hinges on risk management and promotes bank survival | | | | | |

| | Strongly agree | Agree | Neutral | Disagree | Strongly disagree |
|---|----------------|-------|---------|----------|-------------------|
| Risk based internal auditing is the best practice to mitigate risks to ensure good risk management | | | | | |
| Adequate attention is being given to the following key inherent risk(1) credit risk(2) market risk(3) operational risk through Risk based Audit Approach. | | | | | |
| Assurances given through Risk Based Audit ensure bank survival | | | | | |
| ZBFHL adopted RBIA to ensure enterprise risk management as the best practice as evident through identifying risk, measure risk and mitigate risk | | | | | |
| Resistance of change of audit approach by Internal auditors affect the assurance level on risks. | | | | | |

| | | | | | |
|--|--|--|--|--|--|
| Good risk management ensures survival of the bank. | | | | | |
|--|--|--|--|--|--|

8) Liquidity, Solvency and stability of Non-performing Loans

| | Strongly Agree | Agree | Neutral | Disagree | Strongly Disagree |
|--|----------------|-------|---------|----------|-------------------|
| | | | | | |
| RBIA considers Liquidity risks and solvency as important to ensure survival of banks | | | | | |
| RBIA assurance on non-performing guarantees risks associated with them to ensure survival of the bank. | | | | | |

9) Other options other RBIA that ensure survival of the bank

| | STRONGLY agree | Agree | Neutral | Disagree | Strongly disagree |
|---|-----------------------|-------|---------|----------|--------------------------|
| Are there other options other than RBIA for internal audit function | | | | | |
| These options do they provide better assurance that RBIA | | | | | |
| Do the options guarantee bank survival better than RBIA | | | | | |

| | | | | | |
|---|--|--|--|--|--|
| Assurances on risk are better than those provided by RBIA | | | | | |
|---|--|--|--|--|--|

Thank you.



INTERVIEW QUESTION GUIDE

1. What do you understand by Risk based internal Audit Approach?
2. Whose responsibility is it to manage risk between risk management and internal audit? Justify your answer.
3. How can internal audit give assurances through RBIA that bank survival is guaranteed?
4. What are the challenges faced when using RBIA and bank survival?
5. What is the effect of RBIA on implementation of controls to avoid overrides and ensure survival of bank?
6. What other options other RBIA does IA have to ensure survival of banks?
7. How often does the person for the audit department work with the person responsible for the risk management department?