

THESIS ABSTRACT

Master of Business Administration
Accounting Option

Adventist University of Africa

School of Postgraduate Studies

Title: AN EVALUATION ON THE EFFECTIVENESS OF INTERNAL AUDIT IN
SOUTH ZIMBABWE CONFERENCE CHURCHES

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Date completed: November 2017

The issue of trust between those charged with running an organization and the stakeholders, both for-profit and not-for-profit, is important. There is a need for the organizations to be reviewed frequently by an independent person so that the stakeholders are given an assurance that what the managers say is happening is really as per their claim. Therefore, there is a need for effective internal audits in any organization. This study evaluated the effectiveness of internal audits so as to help the Conference know the impact that internal audits have on the churches.

Since the audit function is performed by the internal auditors, there are attributes which they have to have for internal audits to have an impact. A causal cross-sectional study was conducted by gathering quantitative data through questionnaires administered to selected church board members within South Zimbabwe Conference. The findings indicated that, generally, the internal auditors

demonstrated the internal core attributes. Based on the results of the study, we can conclude that the internal audit function demonstrates the internal audit core attributes in South Zimbabwe Conference Churches. Besides, there is a positive relationship between the eight internal core attributes and effective internal audits. Furthermore, internal audit core attributes such as service culture, stakeholder management, risk focus, quality and innovation, and technology are significant predictors of the effectiveness of internal audits in South Zimbabwe Conference Churches.

Based on the findings, the researcher recommended that for the internal audit function to be more effective: the internal auditors should display independence when conducting the internal audits; financial prudence should be encouraged by the internal auditors as opposed to cost optimization; adequate appropriate personnel should be used in the auditing department; investment should be made in technology to be used in conducting internal audits; and service culture should be improved.

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SOUTH ZIMBABWE CONFERENCE CHURCHES

A thesis

presented in partial fulfillment
of the requirements for the degree
Master of Business Administration

by

Ashley Ndabezinhle Tatenda Ncube

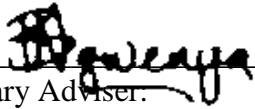
April 2018

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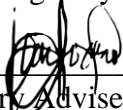
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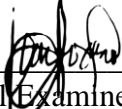
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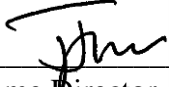
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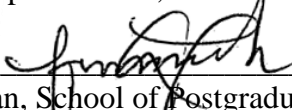
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Date: April 2018

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CHAPTER 1

INTRODUCTION

Background of the Study

Internal Auditing is defined “as an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations; it helps an organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes” (The Institute of Internal Auditors, 2016). With corporate scandals at Enron, WorldCom and others (Kangarlouei, Motavassel, & Mohammadzadeh, 2013), there has been a need for an effective self-check mechanism through which organizations are able to identify and mitigate potential risks that can result in the organization deviating from its mission and objectives (Pforsich & Kramer, 2006); which should ideally, help the entire organization does not only identify potential risks, but also assist it to achieve its objectives (Dittenhofer, 2001); providing reasonable assurance on the reliability of financial reports, effectiveness and efficiency of organizational operations, compliance to laws and regulations, and compliment external auditors’ efficiency and effectiveness (Kangarlouei et al., 2013).

South Zimbabwe Conference (The Conference) is an organized body of churches comprising of 172 churches, 40 companies; and is the responsible authority for 14 primary schools, three high schools and two clinics. The Conference has

numerous fragments which feed into the financial and the operations reports, therefore there is a need for a sound Internal Audit department which will help give reasonable assurance on the reliability of financial reports given to the churches on areas such as: the remittances made to the Conference by churches; compliance by churches, schools and clinics to the church's Working Policy, laws and regulations; and indirectly help the Conference prepare for the external audit. In this regard the churches, schools and clinics are required to be audited annually (Southern Africa-Indian Ocean Division of the General Conference of Seventh-day Adventist, 2013).

Statement of the Problem

Internal auditing should be a self-check mechanism for an organisation and should also give assurance to the stakeholders on the effectiveness and efficiency of internal controls in handling finances. In line with the agency theory, those who are entrusted with running the affairs of the church are expected to meet the stakeholders expectations and interests; when those running the affairs of the church fail to meet stakeholder interest or expectations, the stakeholders would lose confidence in the Conference and reduce their support for the organization. Therefore, it is important to maintain a viable internal audit system for the Conference which should be reviewed and evaluated to ascertain if those who run the affairs of the church do that which is expected from them. This study sought to evaluate the effectiveness of internal auditing in the South Zimbabwe Conference Churches.

Research questions

The research sought to answer the following questions:

1. To what extent does business alignment have an impact on the effectiveness of internal audit?

2. To what extent does risk focus have an influence on the effectiveness of internal audits?
3. To what extent does stakeholder management have an influence on the effectiveness of internal audits?
4. To what extent does cost optimization influence on the effectiveness of internal audits?
5. To what extent does internal auditors talent influence the effectiveness of internal audits?
6. To what extent does quality and innovation impact the effectiveness of internal audits?
7. To what extent does the use of technology impact the effectiveness of internal audits?
8. To what extent does service culture impact the effectiveness of internal audits?

Null Hypotheses

After reviewing the related literature on the evaluation on the effectiveness of internal audit, the following main hypothesis was tested:

1. H₀. Internal audit core attributes have no significant impact on internal auditing effectiveness.

The following operational research hypotheses in relation to South Zimbabwe Conference Church entities were tested:

- i. H₀:1. Business alignment has no significant influence on internal auditing effectiveness.
- ii. H₀:2. Risk focus has no significant influence on internal auditing effectiveness.

- iii. H₀:3. Stakeholder management has no significant influence on internal auditing effectiveness.
- iv. H₀:4. Cost optimization has no significant influence on internal auditing effectiveness.
- v. H₀:5. Talent has no significant influence on internal auditing effectiveness.
- vi. H₀:6. Quality and innovation have no significant impact on internal auditing effectiveness.
- vii. H₀:7. The use of technology has no significant impact on internal auditing effectiveness.
- viii. H₀:8. Service culture has no significant impact on internal auditing effectiveness.

Conceptual framework

Internal audit core attributes have a relationship with internal audit effectiveness. When the internal auditors have the core attributes, their audits are bound to have a positive impact on the client audited. When the internal auditors understand the organization and align the audit in the context of expectations; promote quality and innovation; identify, assess, understand the risk focus of an organization; have the right personnel to conduct internal audits; optimizes costs by delivering efficient value adding services; meet the stakeholder expectations; use technology in conducting internal audits; and have a client-centric approach, the internal audits will have a positive impact on internal auditing. Therefore the end result is that internal audits will assist church entities to improve their operations.

Internal audit effectiveness is the dependent variable of the internal audit core attributes: business alignment, risk focus, stakeholder management, cost optimization, talent, quality and innovation, use of technology, and service culture. The indicators

for internal audit effectiveness are that the church entities are aligned with goals, internal control systems are adequate to protect the assets of the church; church entities comply to policy; risk management processes are evaluated and improved; and churches monitored and evaluated. Figure 1 presents a schematic diagram of the conceptual framework of the study.

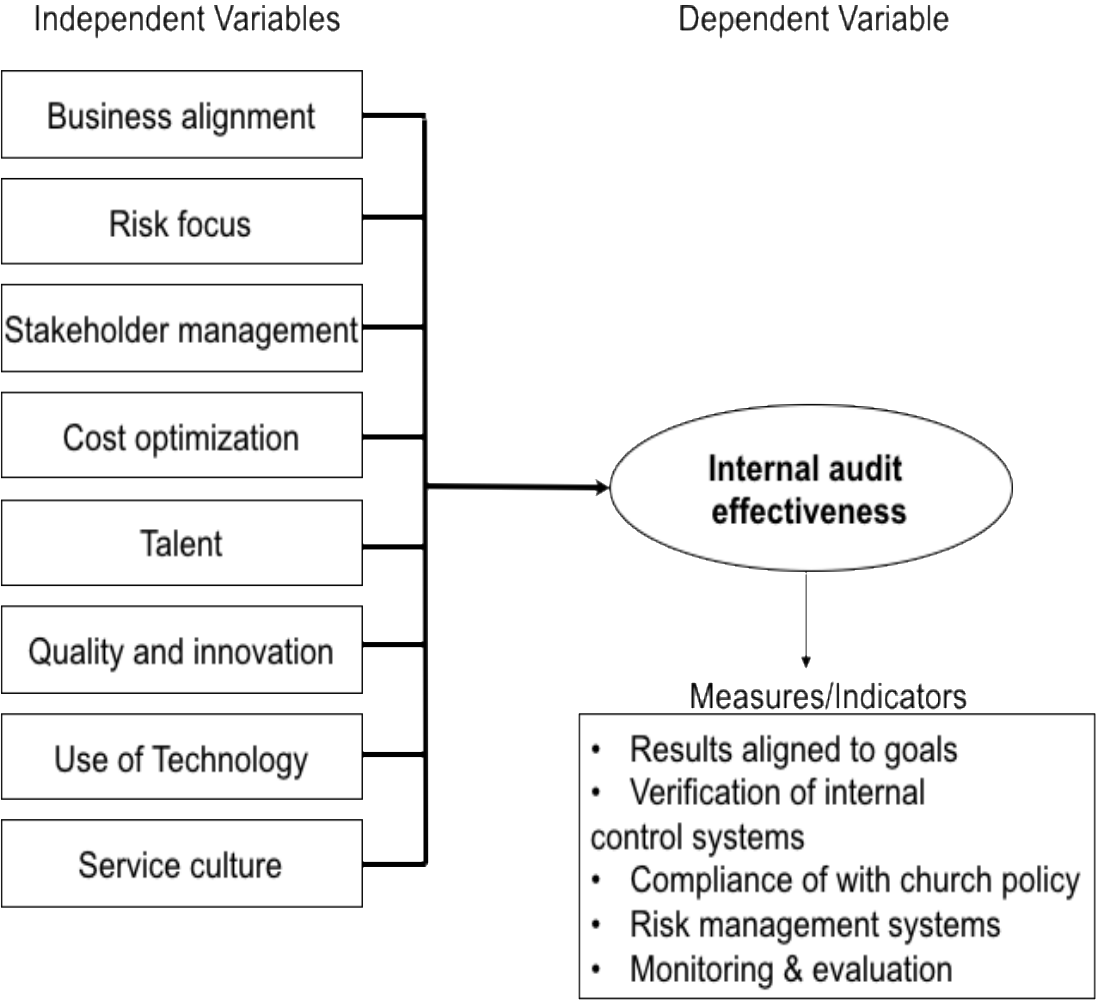


Figure 1. Conceptual Framework

Significance of the Study

The study is aimed at helping the conference administrators and churches to understand and evaluate the importance of internal audits. The results of the study are expected to add value to the body of knowledge with regards to the effectiveness of internal audits in faith-based institutions.

The study will assist the internal audit department to identify key areas which add value to the church audits. The study will assist in identifying the critical areas of internal auditing function for internal audits to be effective.

Scope and Limitations of the Study

South Zimbabwe Conference operates in the provinces of Matabeleland South, and parts of Bulawayo, Matabeleland North, Midlands, and Masvingo Provinces of Zimbabwe as its territory. South Zimbabwe Conference has an approximate membership of about 92,681 from 172 churches (General Conference of Seventh-day Adventists, 2016); composed of 47 urban churches and 127 rural churches.

The study was done on selected board members across the churches in South Zimbabwe Conference.

The study focuses on South Zimbabwe Conference. In this regard, the evaluation on effectiveness of Internal Audit as derived from the South Zimbabwe Conference Churches may not be similar to evaluation on effectiveness as derived in other Adventist entities or those which are non-Adventist.

Other things relating to effectiveness of internal audits, except the analysis on the effectiveness of internal audits were not part of this study.

Limitations of the Study

The research was conducted on South Zimbabwe Conference Churches only such that the findings in this study may not translate to other five Conferences in

Zimbabwe, denominations, or business entities. The generalizability of the results may not fit the various contexts of other organizations, or churches.

Operational Definition of Terms

Audit – an examination of the financial report of an organisation by an independent person to make sure that the records presented are accurate and fair.

Business Alignment – is where one who audits clearly understands the strategic direction of the organization and the expectations of its stakeholders, including regulators such that they align the scope and audit plan to the direction of the business in the context of those expectations.

Control – is any action taken by management, the board, and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved.

Cost optimization – this is where the audit department optimizes cost by delivering efficient and value-added services through robust, well communicated audit methodology and processes.

Effectiveness – is when the auditor is able to achieve the goals and objectives using the factor measures provided for determining such achievement.

Governance – this is the combination of processes and structures implemented by the board to inform, direct, manage, and monitor activities of the organization towards the achievement of its objectives.

Internal Audit – is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. An internal audit helps an organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Quality and innovation – is where the internal audit department promotes quality and innovation through well-defined standards that align to overall Institute of Internal Auditors standards such that the audit plan is in tune with the organization’s risk profile, reports and communications are grounded on facts and probe the stakeholders to take decisive action.

Risk – is the likelihood of an event occurring that will have an impact on the achievement of objectives; these are areas that the internal auditor identifies which have a potential of derailing the organization needing management’s attention.

Risk focus – is where the internal audit department displays an in-depth understanding of the organization’s risk culture, risk appetite as well as policy, regulatory and legal requirements.

Risk management – process of identifying, assessing, managing, and controlling potential events or situations to provide reasonable assurance regarding the achievement of the organization’s objectives

Service culture – the customer or client-centric approach by internal auditors when they conduct their internal audits.

Stakeholder management – the process of forming, monitoring and maintaining constructive relations with stakeholders through internal auditors influencing the stakeholder expectations.

Talent model – the ability of the internal audit department to possess the appropriate mix of core internal audit talent, subject matter expertise, business acumen and position parity to align to its mandate and meet the expectations of stakeholders, including regulators.

Technology – the ability of the internal audit department to leverage technology effectively in the execution of the entire lifecycle of the audit process such that the department uses technology so as to be efficient.

CHAPTER 2

REVIEW OF LITERATURE

Auditing

Audit in Latin means to “hear,” auditing emanated from the time when financial affairs were reported by word of mouth and an auditor would account that the report given was true and accurate (Davies & Aston, 2011), and dates back to the 4000 B.C. during the period where it is thought that it began when formal record-keeping systems were first instituted; it can also be traced to Babylonia, Greece, the Roman Empire, the States of Italy among others who had developed systems of checks and counterchecking due to the increased worry on corruption, incompetency and inaccuracies (Ramamoorti, 2003).

Businesses and organizations are formed or owned by investors who know little or nothing about the investment they are making and entrust the managers who run the entities on a day-to-day basis to keep and grow their investment; on the other-hand, the managers running the organization have knowledge of it as they have the competencies and qualifications to run the entities on behalf of the investors: thus the agency theory (Davies & Aston, 2011; Millichamp & Taylor, 2008). Agency is the practice whereby one manages another or a group of persons or group of person’s productive resources (Davies & Aston, 2011; Millichamp & Taylor, 2008). Thus the agency theory is about the relationship which arises between two or more parties

where one is designated an agent for the other, and the problems raised by agency (Ross, 1973): the owners or investors hire management to run the firm so as to maximize the company's market value, but managers may pursue and maximize their personal interests at the expense of the owners leading to agency conflicts (Jerzemowska, 2006).

The agency theory problems are: an effort problem where the agent's efforts in creating value to the principal is less than the principal's expectation; the horizon problem which comes up when the agent has a different horizon to the principal, that is the agent would implement strategies that produce short-term outcomes if they have a limited time with the organization; differential risk preference problem, arising where the agent thinks that the responsibilities for the poor performance of the organisation are greater than the benefits received when the organization had a good performance motivating the agent to engage in low risk business even if its costly to the principal; and, asset use problem which may occur when the agent uses the organizations assets for personal use or makes investment decisions that would increase their earnings as agents while the expense is met by the principal resulting in the wealth of the principal decreasing (Bhati, 2015). The agency theory is best seen in the Genesis 1 : 26 account of the Bible, "Then God said, "Let us make man in our image,...., and let them rule over the fish of the sea and the birds of the air, over the livestock, over all the earth, and over all the creatures that move along the ground.'"" and also in Matthew 21 : 33 – 46 in the parable of the Tenants (*The Holy Bible, New International Version*, 1984).

Information that is dependable is important to stakeholders in a society about any organization that is operating within that given society and even beyond the organization's locality, so that what is really happening in the organization is clearly

communicated to enable those who wish to make decisions about the organization may make informed decisions (Whittington & Pany, 2016). To enhance the “degree of confidence” in organizational information, since society is concerned about the accuracy and reliability of information presented by organizations, auditors perform assurance services: services that increase the reliability of information and services that involve organizing information in a format that helps in decision making (Whittington & Pany, 2016).

Audit Objectives

An audit is a process whereby there is a search and verification of accounting records, and examination of other evidence supporting a particular organization’s financial statements so that there is adequate evidence to issue an audit report on whether the financial statements were presented in harmony with the relevant financial reporting framework (Whittington & Pany, 2016). Audits are necessitated by the desire of owners/stakeholders of an enterprise to know if the financial reports given to them by managers are credible since the financial report may: contain errors, not disclose fraud, may be unintentionally misleading, may be intentionally misleading, fail to disclose relevant information, and fail to conform to regulations (Millichamp, 2002). Audits are done mainly so that the auditor may produce a report on the opinion of the truth and fairness of the financial statements so that the users may have faith in the statements, and to, detect errors and fraud, prevent errors and fraud, and providing “spin-off effects” (Millichamp, 2002).

Types of Audits

According to PriceWaterhouseCoopers (2013) and Whittington & Pany (2016) audits fall into three categories: financial audits, compliance audits, and operational audits. Millichamp (2002) on the other hand, suggests that there are four types of

audits namely: statutory audits, which are done as per the legal requirements; private audits, which are done as per the owners desire not because of the legal requirements; internal audits, which are conducted by an employee or contractor into any aspect of the organization; and other audits, these are enquiries into specific aspects of the organization. Cosserrat (2000) brings in an idea that there are six types of audits comprising of: financial statement audit, which involves obtaining and evaluating evidence about an organization's financial affairs and coming up with a conclusion as to the correspondence of management assertions to established criteria; internal control effectiveness, a review of certain controls set by management to ensure that financial information is reliable when there is a financial statement audit; compliance audit, a review of whether certain financial and operational activities conform to specified conditions, rules or regulations; value-for-money audit, a review about the efficiency, economy and effectiveness of an organization's operating activities in relation to specified objectives; environmental audit, involves a review on the compliance by an organization with relevant environmental laws and regulations; and internal audit, which refers to the all the previously stated five types, however, carried out by an employee of the organization.

Generally the main types of audits are financial, compliance, operational and internal. Financial audits are undertaken so as to form an independent opinion on the financial statements of an organization by an external party; this is meant to enhance the stakeholders' degree of confidence in the financial statements which are produced by management over a given period of time (PriceWaterhouseCoopers, 2013).

Compliance audits can be a program specific or organization wide audits to ascertain if the organization is in compliance with applicable compliance requirements; these requirements may include laws, regulations, rules, and provisions of contracts or grant

agreements that are applicable to government requirements with which the organization is required to comply (AICPA, n.d.). Operational audits are a review of the undertaking activities of an organization for efficiency and effectiveness and the evaluation of the type of activity at any level of an organization with the aim of maximizing the welfare of the organization and helping the management to improve the way in which activities are performed (Reilly & Reilly, 2003). Internal audits are conducted by employees of a business or by external auditors acting as subcontractors (Millichamp & Taylor, 2008) involving internal checking, systems review, investigations, appraisals of operations and financial planning and, in some instances a financial statement audit (Cosserrat, 2000).

Internal auditing

The internal audit function has evolved over time: in the 1900s internal auditing was viewed as a service to mid-level management; in the 1940s it was about providing assurance about the systems of internal accounting control, and the process evolved to providing assurance about all operational processes; in the 1980s it became a risk-based approach (Chambers & Odar, 2015); however, in the 21st century internal audits are about everything – operations, performance, information, information systems, legal compliance, financial statements, fraud, environmental reporting and performance, and quality (Ramamoorti, 2003).

The institute of Internal Auditing (The Institute of Internal Auditors, 2016) defines internal auditing as:

‘An independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization to accomplish its objectives by bringing a systematic, disciplined approach to

evaluate and improve the effectiveness of risk management, control and governance processes.’

This definition of internal auditing, underscores its importance to understand as an internal control service meant to provide a service within an organization covering the whole aspects of an organization and it assists in the economic and efficient administration procedures (Bodaghabadi, Valahzaghari, & Chaharmahali, 2015). On a general perspective, internal auditing is a multi-step process aimed at determining if the existing conditions comply with the relevant rules and regulations or if there are any deviations from the specified criteria (Kagermann, Kinney, Küting, & Weber, 2008).

The International Standard 1100 requires that the internal audit activity should be independent and objective; “Independence is the freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner” (Institute of Internal Auditors, 2012). Independence is therefore very critical in internal auditing; without independence internal auditing cannot survive hence the internal audit status should indicate such (Pickett, 2005): this would mean that since internal auditing is an internal monitoring system it should be positioned in an organization such that the internal auditors independence is not questionable and is guaranteed with clear reporting structure within the organization (Kagermann et al., 2008). While the internal audit department should ideally be overseen by “two parties,” the audit committee and management: a stronger guarantee of internal audit independence is evidenced by the internal audit function’s relationship with the audit committee than the relationship with management; role conflicts negatively affects internal audit independence; internal

audit is deemed to be independent when the internal audit function meets the external auditors' expectations (Lenz, 2013; Lenz & Hahn, 2015).

In discharging their duties, internal auditors should be objective; which is “an unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made” (Institute of Internal Auditors, 2012). Objectivity is strict impartiality by the auditor, it is important aspect to ensure high quality audits; it is important that reviews of findings by other auditors be done to ensure objectivity to achieve fairness; where auditors are objective a relationship of trust is built (Kagermann et al., 2008). However, objectivity problems mainly arise for a human condition of correctness and fairness; that is psychological matters and irrational behaviour and is influenced by adopted procedures and practices (Pickett, 2005).

An internal audit adds value to an organisation through ensuring that the right things are done, done well and done at minimum cost while achieving organizational goals (Lenz & Hahn, 2015); the value-addition by the internal audit department may be achieved through assisting the organization comply with corporate governance requirements (Mihret, James, & Mula, 2010) which results in an improved client effectiveness (Mihret & Yismaw, 2007). The internal audit department helps the entire organisation achieve its objectives in an ethical and legal manner and help detect and mitigate fraud (Pforsich & Kramer, 2006), leading to the organization being assisted to take appropriate measures to remedy risky or fraudulent activities thereby ensuring a continuous organisational improvement (The Institute of Internal Auditors, 2010).

The internal audit department monitoring and evaluation enables the department to remain relevant and credible (The Institute of Internal Auditors, 2010) otherwise it would lose its relevance in the organisation (Vijayakumar & Nagaraja,

2012). Traditionally, the measurement of internal audit effectiveness has been through the elements of internal auditing standards (Dittenhofer, 2001; Institute of Internal Auditors, 2012); its impact can also be measured in qualitative terms (Blackburn, 2003; Dittenhofer, 2001). The effectiveness of internal audit can be measured from an external or client perspective just as it can be measured from an internal management perspective (Lenz & Hahn, 2015); the success of this evaluation is dependent on the willingness by the audit clients to continue working with the internal auditors and their willingness to provide feedback (Pforsich & Kramer, 2006).

Core Attributes for Internal Audit Effectiveness

Internal auditing “helps an organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes” (The Institute of Internal Auditors, 2016), thus for the internal auditors to “deliver measurable value and improve the organization”, they should have the following core attributes: business alignment, quality and innovation, risk focus, talent model, stakeholder management, cost optimization, technology and service culture (PriceWaterhouseCoopers, 2016b).

Business alignment entails that “the internal audit function should hold a neutral position in the organisation, looking beyond mainly focussing on financial statements and financial risks and should involve auditing reputational, operational, environmental, or strategic risks” (Basioudis, 2009). Internal auditors are employed by the organization to improve it in all aspects (Davies & Aston, 2011; Millichamp & Taylor, 2008), therefore, they should have a clear understanding of the organisation’s strategic direction and expectations of the stakeholders (PriceWaterhouseCoopers, 2016b). International Standard 2120.A1 of internal auditing require that “the internal audit activity should evaluate risk exposures relating to the organization’s governance,

operations and information systems” in relation to strategic objectives achievement, reliability of financial and operation information and their integrity, operations and programs effectiveness and efficiency, the safeguarding of assets and compliance to relevant laws and statutes (Institute of Internal Auditors, 2012). Independence and objectivity are key factors in value addition to an organization, with independence being the freedom from conditions which threaten objectivity (Chen & Lin, 2010).

Internal auditing contributes to risk management in numerous ways in its assurance and consulting roles, below are the roles of internal audit in Enterprise-wide Risk Management (The Institute of Internal Auditors, 2009):

Core Internal audit roles in ERM	<ul style="list-style-type: none"> ● Giving assurance on risk management processes ● Giving assurance that risks are correctly evaluated ● Evaluating risk management processes ● Evaluating the reporting of risks ● Reviewing the management of key risks
Legitimate internal audit roles with safeguards	<ul style="list-style-type: none"> ● Facilitating identification and evaluation of risks ● Coaching management in responding to risks ● Coordinating ERM activities ● Consolidating the reporting on risks ● Maintaining and developing the ERM framework ● Championing establishment of ERM ● Developing risk management strategy for board approval
Roles internal audit should not undertake	<ul style="list-style-type: none"> ● Setting the risk appetite ● Imposing risk management processes ● Management assurance on risks ● Taking decisions on risk responses ● Implementing risk responses on management’s behalf ● Accountability for risk management

Source: The Institute of Internal Auditors, (2009b)

Figure 2. Roles of internal auditing in Enterprise-wide Risk Management

While the responsibility of risk management lies with management of the organisation, internal auditors are “consultants and assurance providers on risk management processes and systems” (Stewart, Subramaniam, & Nava, 2010); internal auditors should be able to perform assessments which comprise “top-down, strategic perspectives focussed on identifying the most critical risks” that may face the organisation where the internal auditing function has an in-depth understanding of the organisation’s risk culture, risk appetite and regulations and legal requirement (PriceWaterhouseCoopers, 2016b). Internal audit also has to understand the expectations of stakeholders, to ensure that the functions of the internal audit department are aligned to the primary stakeholders’ priorities through a good communication channel that should be maintained to ensure that priorities regarding risk management and control are identified, evaluated and monitored (Feizizadeh, 2012).

The internal auditors should know and manage the relationships they have with the various stakeholders after understanding the expectations that the stakeholders have and has aligned internal audit strategic plan so that it function may be relevant (PriceWaterhouseCoopers, 2016b). The alignment to key stakeholders by internal audit ensures that the internal audit function and stakeholders share a common view in the application of resources to manage and control risks (Feizizadeh, 2012). In a research conducted by PwC 2014 State of the Internal Audit Profession Study, it was observed that many stakeholders did not view the internal audit function to have met their expectations; 64% of board members believed that the internal audit department met their expectations however senior management felt that their expectations were moderately met as indicated by 49% mark (PriceWaterhouseCoopers, 2014). In 2016, the PwC State of the Internal Audit Profession study on overall revealed that 54% of

stakeholders believe that internal audit is meeting its expectations (PriceWaterhouseCoopers, 2016a).

Many organisations attempt to cut costs through budget reviews, and/or delaying expenditures, but these are short-term solutions; the strategic cost reduction method is through understanding underlying activities that drive expenditures leading to identifying and prioritizing improvements: the internal audit function should be included in any strategic cost reduction program (Oates, 2011). In the Ernst & Young's 2010 Global Internal Audit Survey, 48% respondents "listed increasing the efficiency and effectiveness of the control environment and raising the efficiency and effectiveness of Internal Audit function as their top cost-related reasons for improving the Internal Audit function", this is an indicator that internal audit should watch out for opportunities to improve organisational efficiencies (Ernst & Young, 2010).

To achieve organizational objectives, effective internal audit departments identify and acquire the much needed skilled personnel so as to build their major internal audit and control competencies (Feizizadeh, 2012). To meet stakeholder expectations, the internal audit department should balance the need for specific industry and risk expertise against the likely usage of that expertise, thus personnel should be trained regularly and their performances be reviewed so that there is a balance of technical skill, conflict management, intellectual scepticism, critical thinking, relationship development and leadership (PriceWaterhouseCoopers, 2016b). In the 2013 EY study of more than 500 chief audit executives and audit committee members, in about 20 industries 45% of the respondents indicated they hired experienced personnel with the right background and a wide range of skills and competencies to be cost effective (Ernst and Young, 2013).

Internal audit creates quality and innovation in an organization as it evaluates and assists in the improvement of governance, risk management, and control processes (Whittington & Pany, 2016): with a well-defined procedures of auditing which are in conformity with the standards and relevant regulatory expectations, the internal audit function accomplishes the standards expectations while promoting a culture which recognises innovation and the improvement of organisational processes (PriceWaterhouseCoopers, 2016b). The 21st century dynamics and the corporate scandals which have rocked the world have created an opportunity for the internal audit function to be innovative to tackle the risks that organizations are exposed to which may deter the organization in achieving its mission and objectives; thus the communication and internal audit reports if based on facts would assist stakeholders to make informed decisions on the organization (PriceWaterhouseCoopers, 2016b; Ramamoorti, 2003). Yee, Sujana, James, & Leung (2008) cite Bertrand Russell who suggest that people may shun innovation as industrial changes have been linked to causing hardships in some sections of wage-earners resulting in conservatism.

The use of technology is a standard of highly effective internal audit function, especially when it is used for the audit to be efficient and compliant with professional standards (Feizizadeh, 2012). The dynamics associated with environment organisations operate in and advances in technology can result in threats and opportunities for the internal audit function; by using and understanding technology, internal auditors can use it as a tool to be effective and expand audit coverage (Hass, Abdolmohammadi, & Burnaby, 2006). With adequate technology, the internal audit functions efficiencies are created enabling the department to be able to complete its audit plans (May, 2015).

As the internal audit department go about their functions they interact with various stakeholders, while performing their functions objectivity should be maintained through clearly outlined mandate and reporting lines; after completing the internal audits feedback should be given so that the department measures results and places in place improvement actions which are required (PriceWaterhouseCoopers, 2016b). In the 2016 state of the internal audit profession study 71% of respondents indicated that internal audit performs well in service culture performance attribute; showing that stakeholders believed that the internal audit service provided a balance of objectivity and value (PriceWaterhouseCoopers, 2016a).

Effective Internal Audits

With recent corporate scandals which like the Volkswagen emissions scandal, FIFA scandal, Toshiba scandal, Valeant Division scandal, and Turing Pharmaceuticals scandals (Matthews & Gandel, 2015); it would have been expected that lessons were learnt from the likes Enron, WorldCom, Tyco and others (Accounting-degree.org, n.d.). These scandals have resulted in the questioning of trust on organisations, the managers and the internal audit function; more so the ability of internal auditors to render objective opinions on the “adequacy and effectiveness of the existing” internal controls (Aikins, 2011). Despite the negative publicity on the internal audit profession, Teck-Heang & Ali, (2008) in their research, highlight that the profession is responding to the “contextual factors and lessons learnt from historical events, legal verdicts and technological advancement to the satisfaction of the stakeholders.” In the research by Yee et al. (2008), they observed that: the internal audit clients indicate that “auditor independence is not the most essential aspect of internal auditing;” internal audit clients who were senior managers were generally satisfied with internal auditors’ professionalism, effectiveness and appreciated the presence of the department;

however, internal audit clients were neutral on the documentation of the internal auditors' reports.

Effective internal audits help an entity reach its goals through improved controls, business processes, business risk management; ensure that the organization achieves its objectives ethically and legally; and help fight fraud (Pforsich & Kramer, 2006). The effectiveness indicators include monitoring recommendations made, reduced external auditor costs as a result of the internal audits, the satisfaction of clients after an engagement, increased risk management compliance, increased requests for unplanned audits by the client, and the timeliness of reporting on findings (The Institute of Internal Auditors Netherlands, 2016). The measurement of effectiveness of internal audits can be qualitative, quantitative and should include compliance with The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing, and the measures for effectiveness include: the contribution levels in the improvement of risk management, control, and governance processes; achievement of critical goals and objectives; effectiveness in meeting stakeholder needs; clear communication with the client; cost savings; and changes to processes (The Institute of Internal Auditors, 2010).

While there have been some studies have been conducted on internal audit effectiveness, there is a gap regarding the effectiveness of internal audits in churches. This study aimed to examine the effectiveness of internal audit function in South Zimbabwe Conference Seventh-day Adventist Churches since this function has been deemed to be a by-the-way policy requirement where no much attention has been placed to its importance, impact and value-addition in churches. Concentration has been given to the effectiveness of internal audit in the corporate sector; thus, the need to evaluate the effectiveness of internal audit in the Seventh-day Adventist Churches.

CHAPTER 3

METHODOLOGY

Study Setting

The study was done in Zimbabwe, in the South Zimbabwe Conference which is one of the six conferences in the Zimbabwe Union Conference (ZUC) territory. South Zimbabwe Conference is an organized body of churches which comprises 172 churches. Churches have a functioning board with members who are elected by the church whose responsibilities include oversight of church finances and the protection and care of church properties (Secretariat General Conference of Seventh-day Adventist, 2016). While there are various departments in the church boards, key selected members of the board were selected comprising the district Pastors, Head elders, treasurers and stewardship directors

Research Design

The study used a causal cross-sectional study to evaluate the effectiveness of internal audits in South Zimbabwe Conference Churches. The casual study was used since there was a need to determine the effects of the independent variables on the dependent variable. The study was also a cross-sectional as the primary data was collected at once within a period through a questionnaire which was distributed to key local church members whom auditors mainly deal with during audits comprising of the

District Pastor; and Head Elders, Stewardship Directors, and Treasurers of each organized church within the South Zimbabwe Conference territory within a month.

Population and Sampling

The total number of church members within South Zimbabwe Conference was approximately 92,681 at the time of the research. Since not all of these church members were in direct contact with the or understand internal audits conducted at their churches but receive the internal audit reports through the church board members; respondents were purposively sampled to ensure that the research was relevant. The researcher selected key local church members comprising the Head Elder per church, Stewardship Director per church, Treasurer per church and the district Pastor. With 172 churches in the Conference and 3 key members per church and a district Pastor, the target population was 540 (see Table 1 below), 76 churches were sampled randomly; at a 0.05 confidence interval, the sample size was 226 respondents (see Table 2 below) using the Krejcie & Morgan Table. Therefore, a systematic random sampling was used to select the sample.

Table 1. South Zimbabwe Conference Churches and Corresponding Sample Size

Church	Number of Churches	Sample of churches	Total population	Sample size
Barham Green District	2	2	7	7
Beitbridge East District	8	8	25	25
Beitbridge West District	1		4	
Bellevue District	3	3	10	10
City Centre District	3	3	10	10
Esigodini District	18		55	
Filabusi District	17		52	
Gwanda District	14	14	43	28
Hillside District	2	2	7	7
Ingwizi/Maphisa District	16	16	49	49
Kezi District	15		46	
Matopo District	10		31	
Mberengwa District	10		31	
Mwenezi East District	2		7	
Mwenezi West District	3		10	
Nketa/ Emganwini District	6	6	19	19
Nkulumane District	6	6	19	19
Ntabazinduna District	13		40	
Plumtree District	4	4	13	13
SAHS District	5		16	
Selbourne Park District	3	3	10	10
Solusi University District	2		7	
Tshabalala District	3	3	10	10
Waterford District	6	6	19	19
Total	172	76	540	226

Table 2. Krejcie & Morgan Table

<i>Table for Determining Sample Size of a Known Population</i>									
N	S	N	S	N	S	N	S	N	S
10	10	100	80	280	162	800	260	2800	338
15	14	110	86	290	165	850	265	3000	341
20	19	120	92	300	169	900	269	3500	346
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	354
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	191	1200	291	6000	361
45	40	170	118	400	196	1300	297	7000	364
50	44	180	123	420	201	1400	302	8000	367
55	48	190	127	440	205	1500	306	9000	368
60	52	200	132	460	210	1600	310	10000	370
65	56	210	136	480	214	1700	313	15000	375
70	59	220	140	500	217	1800	317	20000	377
75	63	230	144	550	226	1900	320	30000	379
80	66	240	148	600	234	2000	322	40000	380
85	70	250	152	650	242	2200	327	50000	381
90	73	260	155	700	248	2400	331	75000	382
95	76	270	159	750	254	2600	335	1000000	384

Note: N is Population Size; S is Sample Size *Source: Krejcie & Morgan, 1970*

To obtain the adequate responses through the questionnaire, the researcher physically distributed the instrument to all the targeted respondents through the district pastors.

Instrument for Data Collection

The researcher used a self-constructed questionnaire on a 7-point Likert scale to collect data related to the research questions from the respondents. The questionnaire was divided into two parts, which were:

- The core internal audit attributes that the internal audit department should possess.
- The evaluation on internal audit effectiveness.

The questionnaire had a total of 43 items.

Validity and Reliability of the instrument

In order to ascertain the content validity of the questionnaire, the researcher consulted with his Advisor, the Adventist University of Africa research committee, gave some colleagues to check if the instrument measures what it says it measures.

The researcher proceeded to test the reliability of the statistics for the 43 items using the Cronbach's Alpha reliability test and obtained the following coefficient alphas which range between 0.620 to 0.812 for the eight variables. To measure the consistency of the questionnaire, with particular reference to the Likert-scale, the reliability analysis is important so as to reflect the overall reliability of constructs it is measuring. Cronbach's Alpha (α) is the most common measure of scale reliability: a value greater than 0.700 is acceptable and a value greater than 0.800 is good (Gliem & Gliem, 2003). As indicated in Table 3 below, values for Cronbach's Alpha (α) When compared to the minimum alpha 0.600 (Cronbach, 1951), then the responses generated for all the variables used in this research were reliable for data analysis.

Table 3. Cronbach's Alpha Reliability Statistics

Variable	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
Business Alignment	.772	.807	5
Risk Focus	.778	.796	5
Stakeholder Management	.779	.795	4
Cost Optimization	.690	.690	4
Talent	.711	.763	5
Quality & Innovation	.708	.694	4
Technology	.620	.627	3
Service Culture	.812	.841	5
Internal Audit Effectiveness	.670	.689	6

Source: survey data, 2017 SPSS output

Ethical Considerations

The researcher sought permission to conduct the study from the relevant authorities. Informed consent was sought from the participants, the participants were given an opportunity to respond freely and were not coerced to provide information while collecting data. The privacy of the collected data will be kept confidential by the researcher, as such names were not included to ensure anonymity; and the data which was obtained was used only for the purpose of this study.

The intellectual content of this study was the work of the researcher, acknowledgements were made in accordance with the American Psychological Association (APA) referencing practices on other material sources.

Data Collection Procedure

After approval from the Adventist University of Africa's School of Postgraduate Studies on the questionnaire, the researcher sought consent from South Zimbabwe Conference through the Chief Financial Officer to conduct the study, and physically distribute the questionnaires to the targeted respondents. The researcher proceeded to physically distribute the questionnaires to the key local church members. The data collected from the respondents was coded and transformed, analysed and the results were presented in Chapter 4.

Method of Data Analysis

The researcher used Statistical Package for Social Sciences (SPSS) Version 20 to generate mean scores and standard deviations, frequencies and percentages, bivariate Pearson correlations and multiple regressions for subsequent analyses. Using a confidence level of 5% for the rejection region, the two tailed rejection region was used to test the hypotheses to prove that the test was repeatable and comparable to what literature states about the core attributes of internal audit; and to test the null

hypotheses. More so, Table 4 below was used as a guide to score and interpret the descriptive statistics of the study variables.

Table 4. Evaluation and Scoring of the Questionnaire

Scale	Response	Mean Interval	Verbal Interpretation
1	Strongly Disagree	1.00 – 1.49	Does not demonstrate at all
2	Disagree	1.50 – 2.49	Does not demonstrate
3	Somewhat disagree	2.50 – 3.49	Does not demonstrate to a certain extent
4	Uncertain	3.50 – 4.49	Not sure it demonstrate
5	Somewhat agree	4.50 – 5.49	Does demonstrate to a certain extent
6	Agree	5.50 – 6.49	Does demonstrate
7	Strongly Agree	6.50 – 7.00	Does demonstrate to a great extent

CHAPTER 4

RESULTS AND DISCUSSION

This study sought to examine the effectiveness of internal audit in South Zimbabwe Conference Churches. Thus, this chapter looks at the presentation, analysis and interpretation of data that was collected from the research field.

Response Rate

The questionnaires were distributed to purposively selected respondents comprising the district Pastors, local church Head Elders, local church Stewardship Directors and local church Treasurers. Out of a sample size of 226, there were 192 respondents who responded to the questionnaires giving a response rate of 84.96%. Conclusions and recommendations will be made based on the findings from the 192 respondents.

Respondents General Profile

The demographic information of the respondents under study is presented in Tables 5-7 below. The researcher gathered this demographic information from the questionnaires distributed to the 192 respondents for the purpose of data collection. The researcher analysed the data and obtained that out of the 192 respondents, 92 were males and 100 were females as presented on Table 5 below.

Table 5. Frequency Distribution by Gender

		Frequency	Percent
Valid	Male	92	47.9
	Female	100	52.1
	Total	192	100.0

Source: Primary Data

The respondents were predominantly female as they were 52.1% and males constituted 47.9%.

A frequency table on the respondents' ages was done by the researcher, the data is presented on Table 6 below.

Table 6. Frequency Distribution by Age

		Frequency	Percent
Valid	less than 20	3	1.6
	21-30	21	10.9
	31-40	43	22.4
	41-50	70	36.5
	51-60	32	16.7
	over 60	23	12.0
	Total	192	100.0

Source: Primary Data

The respondents were mostly between the age 41 and 50 as the range takes 36.5%, after which the respondents between 31 and 40 were the second highest with 22.4%, and the least age range respondents were those less than 20 years comprising 1.6%.

The researcher further did a frequency table on the respondents' positions held at church, and the data is presented on Table 7 below.

Table 7. Frequency Distribution by Position Held at Church

		Frequency	Percent
Valid	Pastor	9	4.7
	Head Elder	58	30.2
	Stewardship Director	62	32.3
	Treasurer	63	32.8
	Total	192	100.0

Source: Primary Data

The respondents were mainly the Treasurers, Stewardship Directors and Head Elders with 32.8%, 32.3% and 30.2% respectively; the Pastors being 4.7% of the total respondents.

Descriptive Statistical Analysis

Table 8. Descriptive Statistics on Internal Audit Core Attributes

	N	Mean	Std. Deviation
Business Alignment	192	6.54	.57
Risk Focus	192	6.26	.60
Stakeholder Management	192	6.16	.74
Cost Optimization	192	5.95	.66
Talent Model	192	6.30	.66
Quality & Innovation	192	6.46	.48
Technology	192	5.01	.93
Service Culture	192	6.45	.67
Internal Audit Effectiveness	192	6.25	.57
Valid N (list wise)	192		

Table 8 above shows the details of the mean and standard deviation scores of the internal audit core attributes that were used to test the impact on effective internal audits in South Zimbabwe Conference Churches. Discussions in the literature review section indicated that internal auditing assists an organization in reaching its objectives through a systematic, disciplined approach to evaluate and improve effective risk

management, control and governance processes (The Institute of Internal Auditors, 2016). Therefore, for the internal auditors to “deliver measurable value and improve the organization,” they should possess the following core attributes- business alignment, quality and innovation, risk focus, talent model, stakeholder management, cost optimization, technology and service culture (PriceWaterhouseCoopers, 2016b).

As in table 8 above, the mean scores for the variables range between a low 5.01 to a high of 6.54 which indicates that respondents relatively agree that the attributes are displayed by the South Zimbabwe Conference internal auditors.

When asked if the internal department of South Zimbabwe Conference demonstrated these internal audit core attributes. The results obtained in Table 8, indicated that business alignment as a core attribute the highest a mean score 6.54 and a standard deviation 0.60 from the mean; using the verbal interpretation on Table 4, the interpretation was that the internal auditors demonstrated to a great extent this internal audit core attribute when conducting audits.

In the same vein, the results obtained in Table 8 on the following internal audit core attributes: risk focus (mean score 6.26 and a standard deviation of 0.60 from the mean); stakeholder management (mean score 6.16 and a standard deviation of 0.74 from the mean); cost optimization (mean score 5.95 and a standard deviation of 0.66 from the mean); talent (mean score 6.30 and a standard deviation of 0.66 from the mean); quality and innovation (mean score 6.46 and a standard deviation of 0.48 from the mean); and service culture (mean score 6.45 and a standard deviation of 0.67 from the mean). Using the verbal interpretation on Table 4, the interpretation was that the internal auditors demonstrated these attributes when conducting their audits.

When it came to technology as an internal core attribute, the results obtained in Table 8 indicated that this attribute had the lowest mean score 5.01 and a standard

deviation of 0.93 from the mean. Using the verbal interpretation on Table 4, the interpretation that the internal auditors demonstrated to a certain extent this attribute. The large standard deviation from the mean suggests that to some extent there were some who felt that it was not always the case.

Due to the high instances of corporate scandals and the lessons that the world has learnt from the downfall of organizations (Matthews & Gandel, 2015; Accounting-degree.org, n.d.). Trust on organizations, managers and the internal audit function had been questioned especially the effectiveness of internal auditors in an organization (Aikins, 2011). When asked on internal audit effectiveness, the results obtained in Table 8 had a mean 6.25 and a standard deviation 0.57 from the mean. Using the verbal interpretation on Table 4, the interpretation is that the church members agree that internal audits were effective.

Testing Null Hypotheses

Prior to testing the effect of internal audit core attributes on effective internal control. Bivariate Pearson correlation analysis was conducted to determine if there were significant relationships among the variables. Table 9 presents the correlation results.

Table 9. Correlations by Variables

		Internal Audit Effectiveness
Business Alignment	Pearson Correlation	.436**
	Sig. (2-tailed)	.000
	N	192
Risk Focus	Pearson Correlation	.377**
	Sig. (2-tailed)	.000
	N	192
Stakeholder Management	Pearson Correlation	.567**
	Sig. (2-tailed)	.000
	N	192
Cost Optimization	Pearson Correlation	.432**
	Sig. (2-tailed)	.000
	N	192
Talent Model	Pearson Correlation	.568**
	Sig. (2-tailed)	.000
	N	192
Quality & Innovation	Pearson Correlation	.228**
	Sig. (2-tailed)	.001
	N	192
Technology	Pearson Correlation	.349**
	Sig. (2-tailed)	.000
	N	192
Service Culture	Pearson Correlation	.762**
	Sig. (2-tailed)	.000
	N	192
	Sig. (2-tailed)	.000
	N	192

** . Correlations is significant at the 0.01 level (2-tailed)

* . Correlations is significant at the 0.05 level (2-tailed)

The results on Table 9 above show that there are linear relationships among all the variables. A careful look at the table shows that service culture has the strongest positive significant relationship with internal audit effectiveness ($r = .762$, $n=192$, $p < .01$, two-tailed). This is followed by talent model ($r = .568$, $n=192$, $p < .01$, two-tailed) and stakeholder management ($r = .567$, $n=192$, $p < .01$, two-tailed).

Other independent variables such as business alignment, risk focus, cost optimization, quality and innovation and technology showed weak positive correlations ranging from correlation coefficients (r) of 0.228 to 0.436 with internal audit effectiveness.

Furthermore, to find out if the eight Internal audit core attributes have any significant impact on the effectiveness of internal auditing, the researcher conducted a multiple regression analysis shown in Table 10. A careful look at the results in Table 10 below, shows that all the eight independent variables combined accounted for approximately 73% ($adjusted R^2 = .734$) of the effectiveness of internal audits in South Zimbabwe Conference Churches which is a huge impact.

Table 10. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.863 ^a	.745	.734	.29372

a. Predictors: (Constant), Service Culture, Technology, Stakeholder Management, Quality & Innovation, Business Alignment, Talent Model, Cost Optimization, Risk Focus

The ANOVA section displayed in Table 11 shows that the overall multiple regression model is statistically significant ($F = 66.877, p < .01$). Thus, the eight internal core attributes combined is highly significant at the 0.000 level.

Table 11. ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	46.156	8	5.769	66.877	.000 ^b
	Residual	15.787	183	.086		
	Total	61.943	191			

a. Dependent Variable: Internal Audit Effectiveness

b. Predictors: (Constant), Service Culture, Technology, Stakeholder Management, Quality & Innovation, Business Alignment, Talent Model, Cost Optimization, Risk Focus

Table 12 examines each of the regression coefficients and their t statistics to identify which independent variables have statistically significant coefficients.

Table 12. Coefficients

Model		Unstandardized		Standardized	T	Sig.
		Coefficients		Coefficients		
		B	Std. Error	Beta		
1	(Constant)	2.141	.401		5.334	.000
	Alignment	.029	.053	.029	.542	.588
	Risk	-.232	.081	-.243	-2.883	.004
	Stakeholder	.436	.051	.566	8.589	.000
	Optimization	-.044	.059	-.051	-.746	.457
	Talent	-.074	.053	-.086	-1.404	.162
	Quality	-.163	.071	-.120	-2.292	.023
	Service	.627	.056	.737	11.287	.000
	Technology	.082	.033	.110	2.452	.015

a. Dependent Variable: Internal Audit Effectiveness

The results show that among the 8 predictors, risk focus ($p < .05$, $\beta = -.243$), stakeholder management ($p < .01$, $\beta = .566$), quality and innovation ($p < .05$, $\beta = -.120$), service culture ($p < .01$, $\beta = .737$) and technology ($p < .05$, $\beta = .110$) are significant predictors of internal audit effectiveness.

The above results also indicated that the beta coefficients of risk focus and quality and innovation are negative: this implies that as risk focus, and quality and innovation go up, internal audit effectiveness comes down. The results above also indicated that the beta coefficients of service culture and technology were positive: this implies that as service culture and technology go up, internal audit effectiveness goes up also.

Operational Hypothesis 1: Business alignment has no significant influence on internal auditing effectiveness.

In a study conducted by PriceWaterhouseCoopers, (2016b) business alignment is important as an internal core attribute for effective internal audits. Business alignment means that internal auditors should be independent, look beyond the financial figures and risks in carrying out their duties while improving the organization. Based on the results displayed in Table 12, business alignment ($p > .05$, $\beta = -.029$), is not statistically significant. Hence, the null hypothesis which stated that business alignment has no significant influence on internal auditing effectiveness in the South Zimbabwe Conference Churches is accepted.

According to the findings, the respondents in South Zimbabwe Conference Churches did not view business alignment as having an impact on the effectiveness of internal audits. As such a decrease in business alignment would result in an increase in internal audit effectiveness, since the respondents felt the internal auditors were aligned to the Conference.

Operational Hypothesis 2. Risk focus has no significant influence on internal auditing effectiveness.

When conducting internal audits, it's the responsibility for the internal auditors to perform their duties in a way that identify risk that may affect an organization (PriceWaterhouseCoopers, 2016b), making this an important attribute (Stewart, Subramaniam, & Nava, 2010). Based on the results on Table 12, risk focus ($p < .05$, $\beta = -.243$), is a significant predictor of internal auditing effectiveness. Therefore, the null hypothesis which stated that risk focus core internal audit attribute has no significant

statistical influence on internal auditing effectiveness in South Zimbabwe Conference Churches is rejected.

Therefore, the findings from the study confirm literature views that risk focus has an influence on internal audit effectiveness. Churches face numerous risks especially since there may a high turnover in local church treasurers and church board members who are appointed for a period of time according to the church policies. Therefore the identification and curbing of risks in churches is very important.

Operational Hypothesis 3: Stakeholder management has no significant influence on internal auditing effectiveness.

Managing relationships is critical for internal auditors to be successful, through this, internal auditors would understand the stakeholders expectations and find common view in the management of resources and control of risks (PriceWaterhouseCoopers, 2016b; Feizizadeh, 2012). Table 12 also shows that stakeholder management ($p < .01$, $\beta = .566$) is statistically significant. Hence, we reject the null hypothesis because stakeholder management core internal audit attribute has a significant statistical influence on internal auditing effectiveness in South Zimbabwe Conference Churches.

Contrary to the research conducted by PwC 2014 State of the Internal Audit Profession Study, respondents view stakeholder management as having an influence on internal audit effectiveness. In not-for-profit organizations like churches, relationships with the stakeholders is important so that one can understand the context in which a church operates in while ensuring that policy is being applied correctly. Thus from the findings an increase in stakeholder management would result in an increase in the effectiveness of internal audits.

Operational Hypothesis 4: Cost optimization has no significant influence on internal auditing effectiveness.

In addition, cost optimization ($p > .05$, $\beta = -.051$), is statistically insignificant, hence we accept the null hypothesis because cost optimization core internal audit attribute has no significant statistical influence on internal auditing effectiveness in South Zimbabwe Conference Churches.

Cost optimization attribute calls for internal auditors to watch out for opportunities to improve organizational efficiencies (Ernst & Young, 2010). The main aim of the church is to evangelise, therefore, the cutting of costs or improvement of efficiencies may not be of great importance as churches follow the available budget lines to meet the goals. Therefore, cost cutting is not important, however, operating within the budget lines and available funds should be the major concern.

Operational hypothesis 5: Talent has no significant influence on internal auditing effectiveness.

Based on the results on Table 12, the null hypothesis for talent model ($p > .05$, $\beta = -.086$), is accepted because talent core internal audit attribute has no significant statistical influence on internal auditing effectiveness in South Zimbabwe Conference Churches.

Talent entails the appropriate personnel who are knowledgeable and have the acumen so as to meet stakeholders expectations (Feizizadeh, 2012). Contrary to the literature, the results indicated that the technical know how of internal auditors did not influence the effectiveness of internal audits.

Operational Hypothesis 6: Quality and innovation have no significant impact on internal auditing effectiveness.

Based on the results on Table 12, quality and innovation quality and innovation ($p < .05$, $\beta = -.120$) is a significant predictor of internal auditing effectiveness in South Zimbabwe Conference Churches. Accordingly, the null hypothesis which predicted opposite is rejected.

Literature suggests that internal audit function accomplishes the standards expectations while promoting a culture which recognises innovation and the improvement of organisational processes (PriceWaterhouseCoopers, 2016b). It will be observed that the churches under study operate within the confines of church policy through a church manual; deviation from the manual is not encouraged. Thus from the findings an decrease in quality and innovation results in increase in internal audit effectiveness.

Operational Hypothesis 7: The use of technology has no significant impact on internal auditing effectiveness.

More so, technology ($p < .05$, $\beta = .110$) is statistically significant, hence we reject the null hypothesis because technology core internal audit attribute has a significant statistical influence on internal auditing effectiveness in South Zimbabwe Conference Churches.

The use of technology is a standard of highly effective internal audit function, especially when used such that the audit becomes efficient and compliant with standards (Feizizadeh, 2012). The results were consistent with literature as the church members felt that the use of technology made internal audits to be effective. Thus

from the findings an increase in the use of technology would result in an increase in internal audit effectiveness.

Operational Hypothesis 8: Service culture has no significant impact on internal auditing effectiveness.

Also, service culture service culture ($p < .01$, $\beta = .737$) is statistically significant, hence we reject the null hypothesis because service culture core internal audit attribute has a significant statistical influence on internal auditing effectiveness in South Zimbabwe Conference Churches.

In conducting internal audits, internal auditors become effective when a balance between objectivity and value is maintained (PriceWaterhouseCoopers, 2016a). As such the respondents felt that an increase in service culture results in an increase in internal audit effectiveness.

CHAPTER 5

SUMMARY, CONCLUSION AND RECOMMENDATIONS

Summary

This study examined the effects of eight core internal audit attributes on the effectiveness of internal audit in South Zimbabwe Conference Churches. The study was carried out in the churches under the territory of South Zimbabwe Conference. The instrument used for the study was a questionnaire, which was mainly composed of a Likert scale with the aim of capturing two main variables: internal audit core attributes and internal audit effectiveness. The number of respondents were 192 out of 226 who were given the questionnaire, therefore, a response rate of 84.96%.

The following research questions were raised in the study:

1. To what extent does business alignment have an impact on the effectiveness of internal audit?
2. To what extent does risk focus have an influence on the effectiveness of internal audits?
3. To what extent does stakeholder management have an influence on the effectiveness of internal audits?
4. To what extent does cost optimization influence on the effectiveness of internal audits?

5. To what extent does internal auditors talent influence the effectiveness of internal audits?
6. To what extent does quality and innovation impact the effectiveness of internal audits?
7. To what extent does the use of technology impact the effectiveness of internal audits?
8. To what extent does service culture impact the effectiveness of internal audits?

The findings in general indicate that the internal auditors demonstrated the internal audit core attributes, as seen by mean scores of 6 and above. In general the standard deviation was small, indicating that the variation around the mean was insignificant, and that the respondents were not varying greatly that the internal audit core attributes had an impact on internal audit effectiveness.

Correlation and multiple regression analyses were conducted to examine the relationships and effects of the dependent and independent variables. The study revealed positive relationships between all the independent variables and the dependent variable. More so, when combined, the eight internal audit core attributes had a huge impact (73%) on the effectiveness of internal audits in South Zimbabwe Conference.

The findings also indicated that among the 8 predictors of internal audit core attributes, risk focus ($p < .05$, $\beta = -.243$), stakeholder management ($p < .01$, $\beta = .566$), quality and innovation ($p < .05$, $\beta = -.120$), service culture ($p < .01$, $\beta = .737$) and technology ($p < .05$, $\beta = .110$) are significant predictors of internal audit effectiveness. Therefore, the stated null hypotheses for these variables were rejected.

Conclusion

Based on the results of the study, we can conclude that the internal audit function demonstrates the internal audit core attributes in in South Zimbabwe Conference Churches. Besides, there is a positive relationship between the eight internal core attributes and effective internal audits. Furthermore, internal audit core attributes such as service culture, stakeholder management, risk focus, quality and innovation, and technology are significant predictors of the effectiveness of internal audits in South Zimbabwe Conference Churches.

Recommendations

From the research findings, the researcher made the following recommendations:

1. The internal auditors should display independence when conducting their audits so as to improve on business alignment core attribute. The understanding of the organization's direction which would result in the internal audit department aligning internal audit scope and plan to the expectations.
2. While cost cutting measures in faith-based institutions is not much of an importance over the attainment of goals. Due to the economic challenges faced in the country it is important for faith-based organizations to be prudent in their spending patterns, such that the internal auditors should assist churches to be prudent when spending so that they will be self-sustaining.
3. The appropriate personnel are key in internal auditing profession. To ensure that the right personnel are involved in the work, the conference should consider having adequate talent to conduct the internal audits in South Zimbabwe Conference.

4. The internal audit department should invest in the use of technology for the audit department to be effective. The use of technology would assist the internal auditors to cover a wider scope and would assist the department in being compliant with standards.
5. According to the research findings the service culture should be improved so that there would be an increase in the effectiveness of internal audits. recommendations can be made through the findings of the study. Internal audits are critical in any entity as they look at the entire organization's operations; they identify, evaluate, improve and review internal controls employed by the organization.

Suggestions for Future Research

The study dealt with the impact of internal audit core attributes on the effectiveness of internal audit, which is only a part of internal auditing .Further researches could be done on internal auditing in faith-based institutions. Since the researcher did not exhaust all the factors that influence the effectiveness of internal audits in churches, mire research should be conducted on the following areas:

1. Compliance to the International Internal Auditing Standards by the Adventist internal auditing personnel.
2. The relevance of church and schools auditors with an emphasis on the implementation of recommendations, and inhibiting factors in internal audits in churches and schools.
3. An evaluation on the effectiveness of internal audits in Adventist institutions in Zimbabwe.
4. Other studies to combine both effectiveness of internal audits and financial growth.

APPENDIXES

APPENDIX A
QUESTIONNAIRE

Dear Participant,

This questionnaire was compiled by Ncube Ashley, an Adventist University of Africa MBA student. It is designed to evaluate the effectiveness of internal audits in South Zimbabwe Conference Churches. I kindly request that you assist by filling in the most appropriate responses. This information is purely for an academic research and will be kept confidential. Thank you for your contribution.

Instructions:

When completing the questionnaire, kindly place an **X** in the box indicating your response or fill in the blank spaces provided and complete where there are spaces provided.

Section A – Demographic data

Demographic Information (for statistical purposes only)

Gender: *Male* *Female*

Age : *less than 20 years* *21-30 years* *31-40 years*
 41-50 years *51-60 years* *over 60 years*

Position Held: *Pastor* *Head Elder*
 Treasurer *Stewardship Director*

Section B – Internal Audit Core Attributes and Internal Audit Effectiveness

Please indicate the extent of your agreement or disagreement with the following statement by placing an **X** in the most appropriate box using the scale below:

1 = Strongly Disagree, 2 = Disagree, 3 = Somewhat Disagree, 4 = Uncertain, 5 = Somewhat Agree, 6 = Agree, 7 = Strongly Agree													
							1	2	3	4	5	6	7
Business Alignment													
1.	Internal audit has a clear understanding of the strategic direction of the church												
2.	Internal audit is relevant to the mission and goals of the church												
3.	Internal auditors demonstrate independence in performing their duties												
4.	Internal audits do not provide assurance on the reliability of the church’s financial data												
5.	Internal audits do not assist the local church leadership to be in line with the strategic direction												
1 = Strongly Disagree, 2 = Disagree, 3 = Somewhat Disagree, 4 = Uncertain, 5 = Somewhat Agree, 6 = Agree, 7 = Strongly Agree													
							1	2	3	4	5	6	7
Risk Focus													
6.	Internal auditors have a full understanding of risks affecting the church.												
7.	Internal audits identify the critical financial risk areas of the church.												
8.	Internal audits give assurance that financial risks were correctly evaluated												
9.	Internal audits review how the church manages internal controls in the church												
10.	Internal audits don’t promote the establishment of controls to manage risks												
1 = Strongly Disagree, 2 = Disagree, 3 = Somewhat Disagree, 4 = Uncertain, 5 = Somewhat Agree, 6 = Agree, 7 = Strongly Agree													
							1	2	3	4	5	6	7
Stakeholder Management													
11.	The internal auditors communicate clearly the recommendations and findings.												
12.	The recommendations given by the internal auditors are clearly understood so that they may be implemented												
13.	Internal auditors share a common view in the use of local church funds												
14.	Internal auditors do not provide feedback through reports timeously												
1 = Strongly Disagree, 2 = Disagree, 3 = Somewhat Disagree, 4 = Uncertain, 5 = Somewhat Agree, 6 = Agree, 7 = Strongly Agree													
							1	2	3	4	5	6	7

Cost Optimization							
15.	Internal audits help the church to focus on the core business of the church						
16.	Internal audit recommendations are cost-effective						
17.	The recommendations made on internal audits are realistic						
18.	Internal audits do not identify opportunities for improving the church's operations						
1 = Strongly Disagree, 2 = Disagree, 3 = Somewhat Disagree, 4 = Uncertain, 5 = Somewhat Agree, 6 = Agree, 7 = Strongly Agree							
		1	2	3	4	5	6 7
Talent Model							
19.	The internal auditors are knowledgeable on the subject matter						
20.	The internal audit department exhibit professionalism when conducting the audits						
21.	The internal audit department communicate throughout the audit process						
22.	The internal audit department displays good people skills during the audit						
23.	Audit recommendations make it difficult for the church to function						
1 = Strongly Disagree, 2 = Disagree, 3 = Somewhat Disagree, 4 = Uncertain, 5 = Somewhat Agree, 6 = Agree, 7 = Strongly Agree							
		1	2	3	4	5	6 7
Quality & Innovation							
24.	The internal audit reports are based on facts						
25.	Internal audits evaluate and assist in the improvement of church governance						
26.	Internal audits evaluate and assist in the improvement of church risk management						
27.	Internal audits do not evaluate and assist in the improvement of church control processes.						
1 = Strongly Disagree, 2 = Disagree, 3 = Somewhat Disagree, 4 = Uncertain, 5 = Somewhat Agree, 6 = Agree, 7 = Strongly Agree							
		1	2	3	4	5	6 7
Technology							
28.	Internal audits use technology to the benefit of the church operations						
29.	The use of technology enables the internal audit department to complete the audits timely						
30.	Technological devices enable the internal auditors to cover a wider audit scope						
1 = Strongly Disagree, 2 = Disagree, 3 = Somewhat Disagree, 4 = Uncertain, 5 = Somewhat Agree, 6 = Agree, 7 = Strongly Agree							
		1	2	3	4	5	6 7
Service Culture							
31.	The internal audit department is objective when conducting audits						

32.	After completing the audit, the internal audit department promptly communicates the findings								
33.	The internal audit reports are balanced								
34.	The internal audit reports are constructive								
35.	The internal audit department communicates regularly with the church on the progress of recommendations								
1 = Strongly Disagree, 2 = Disagree, 3 = Somewhat Disagree, 4 = Uncertain, 5 = Somewhat Agree, 6 = Agree, 7 = Strongly Agree									
		1	2	3	4	5	6	7	
Internal Audit Effectiveness									
36.	Internal audit reviews the church's operations to ascertain if the results are in line with the mission								
37.	Internal audit verifies the adequacy of the church's internal control systems								
38.	Internal audit reviews the church's compliance with the church manual								
39.	Internal audit evaluates the effectiveness of the risk management processes employed by the church								
40.	Internal audit makes recommendations that assist the church to improve its internal control system								
41.	Internal audit makes follow-up on the recommendations made to ascertain that corrective action has been taken								

(Kindly answer the following questions in the spaces provided, feel free to turn-over the page to give your response if the space is not adequate)

42. How has the internal audit added value to your church?

43. For internal audits to be effective in your church, what would you expect from the internal auditors?

APPENDIX B
STATISTICAL RAW DATA

Gender

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Male	92	47.9	47.9	47.9
Valid Female	100	52.1	52.1	100.0
Total	192	100.0	100.0	

Age

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid less than 20	3	1.6	1.6	1.6
Valid 21-30	21	10.9	10.9	12.5
Valid 31-40	43	22.4	22.4	34.9
Valid 41-50	70	36.5	36.5	71.4
Valid 51-60	32	16.7	16.7	88.0
Valid over 60	23	12.0	12.0	100.0
Total	192	100.0	100.0	

Position

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Pastor	9	4.7	4.7	4.7
Valid Head Elder	58	30.2	30.2	34.9
Valid Stewardship Director	62	32.3	32.3	67.2
Valid Treasurer	63	32.8	32.8	100.0
Total	192	100.0	100.0	

Reliability Statistics

Variable	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
Business Alignment	.772	.807	5
Risk Focus	.778	.796	5
Stakeholder Management	.779	.795	4
Cost Optimization	.690	.690	4
Talent	.711	.763	5
Quality & Innovation	.708	.694	4
Technology	.620	.627	3
Service Culture	.812	.841	5
Internal Audit Effectiveness	.670	.689	6

Descriptive Statistics

	N	Mean	Std. Deviation
Business Alignment	192	6.5385	.57210
Risk Focus	192	6.2562	.59576
Stakeholder Management	192	6.1576	.73940
Cost Optimization	192	5.9466	.66273
Talent Model	192	6.2958	.66157
Quality & Innovation	192	6.4648	.48512
Technology	192	5.0122	.93124
Service Culture	192	6.4479	.66867
Internal Audit Effectiveness	192	6.2474	.56948
Valid N (list wise)	192		

Correlations

		Business Alignment	Risk Focus	Stakeholder Management	Cost Optimization	Talent Model	Quality & Innovation	Technology	Service Culture	Internal Audit Effectiveness
Business Alignment	Pearson Correlation	1	.609**	.521**	.355**	.318**	.297**	.147*	.430**	.436**
	Sig. (2-tailed)		.000	.000	.000	.000	.000	.042	.000	.000
	N	192	192	192	192	192	192	192	192	192
Risk Focus	Pearson Correlation	.609**	1	.771**	.730**	.392**	.649**	.185*	.393**	.377**
	Sig. (2-tailed)	.000		.000	.000	.000	.000	.010	.000	.000
	N	192	192	192	192	192	192	192	192	192
Stakeholder Management	Pearson Correlation	.521**	.771**	1	.651**	.383**	.390**	.107	.377**	.567**
	Sig. (2-tailed)	.000	.000		.000	.000	.000	.138	.000	.000
	N	192	192	192	192	192	192	192	192	192
Cost Optimization	Pearson Correlation	.355**	.730**	.651**	1	.449**	.559**	.419**	.466**	.432**
	Sig. (2-tailed)	.000	.000	.000		.000	.000	.000	.000	.000
	N	192	192	192	192	192	192	192	192	192
Talent Model	Pearson Correlation	.318**	.392**	.383**	.449**	1	.377**	.247**	.775**	.568**
	Sig. (2-tailed)	.000	.000	.000	.000		.000	.001	.000	.000
	N	192	192	192	192	192	192	192	192	192
Quality & Innovation	Pearson Correlation	.297**	.649**	.390**	.559**	.377**	1	.222**	.395**	.228**
	Sig. (2-tailed)	.000	.000	.000	.000	.000		.002	.000	.001
	N	192	192	192	192	192	192	192	192	192
Technology	Pearson Correlation	.147*	.185*	.107	.419**	.247**	.222**	1	.333**	.349**
	Sig. (2-tailed)	.042	.010	.138	.000	.001	.002		.000	.000
	N	192	192	192	192	192	192	192	192	192
Service Culture	Pearson Correlation	.430**	.393**	.377**	.466**	.775**	.395**	.333**	1	.762**
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.000		.000
	N	192	192	192	192	192	192	192	192	192
Internal Audit Effectiveness	Pearson Correlation	.436**	.377**	.567**	.432**	.568**	.228**	.349**	.762**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.001	.000	.000	
	N	192	192	192	192	192	192	192	192	192

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.863 ^a	.745	.734	.29372	.745	66.877	8	183	.000

a. Predictors: (Constant), Service Culture, Technology, Stakeholder Management, Quality & Innovation, Business Alignment, Talent Model, Cost Optimization, Risk Focus

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	46.156	8	5.769	66.877	.000 ^b
	Residual	15.787	183	.086		
	Total	61.943	191			

a. Dependent Variable: Internal Audit Effectiveness

b. Predictors: (Constant), Service Culture, Technology, Stakeholder Management, Quality & Innovation, Business Alignment, Talent Model, Cost Optimization, Risk Focus

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.872	.344		5.446	.000
Business Alignment	.040	.052	.041	.776	.438
Risk Focus	-.239	.083	-.250	-2.889	.004
Stakeholder Management	.446	.049	.579	9.041	.000
1 Cost Optimization	-.082	.057	-.095	-1.442	.151
Talent Model	-.081	.052	-.094	-1.550	.123
Quality & Innovation	-.093	.063	-.079	-1.484	.139
Technology	.104	.027	.169	3.886	.000
Service Culture	.611	.055	.717	11.043	.000

a. Dependent Variable: Internal Audit Effectiveness

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Place of Birth: Bulawayo
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Technical Skills Surplus, Word, Excel, PowerPoint, Publisher, Sage, Pastel,
AccPac, Paywell

Experience July 2017 to date **South Zimbabwe Conference**
Chief Financial Officer

Feb 2016 - June 2017 **South Zimbabwe Conference**
Assistant Financial Officer

Feb 2015 - Jan 2016 **South Zimbabwe Conference**
Internal Auditor

Oct 2010 - Dec 2015 **West Zimbabwe Conference**
Internal Auditor

March - Sept 2010 **Radar Metal Industries**
Accountant

Sept 2007-Feb 2010 **Gloweave (Pvt) Ltd**
Financial Controller

May 2005 - Aug 2007 **National Railways of Zimbabwe**

Management Accountant

Qualifications

2013- 2017	Adventist University of Africa, MBA (Accounting) Candidate
2000-2004	Solusi University BBA (Accounting)
1994 -1999	Cyrene High School Advanced Level 1998 - 1999 Ordinary Level 1994 - 1997