AN EVALUATION OF THE EFFECTIVENESS OF INTERNAL AUDIT IN FRAUD DETECTION AND PREVENTION. A SURVEY OF ZIMBABWEAN FINANCIAL SECTOR (BANKS 2008-2013)

DISSERTATION

BY

TARANCE MAZIVANHANGA

B1232470

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ABSTRACT

The study was aimed at evaluating the effectiveness of internal audit function in fraud detection and prevention. The study was a survey of organisation in Zimbabwe financial services sector with special emphasis on stakeholders in the financial reporting process. The study was also aimed at comparing outsourcing and in-sourcing of the internal audit function in light of fraud prevention and detection. Determining the limitation and hindrances that negatively affect the effectiveness of internal auditing in fraud detection and prevention was one of the reasons of this study. The increase in public interest in fraud scandal that continue to rock the corporate world and absence of one willing to take responsibility over such control failures prompted the researcher into undertaking such a research. Questionnaires and interviews were used to measure the perceptions towards the role of internal audit function in fraud detection and prevention. Two questionnaires were used; one for management and audit committee members and the other for internal auditors. Stratified random sampling technique was used to arrive at a sample of 30, 10 from each homogeneous sub-groups; internal auditors, management and audit committee from the whole population. The study drew all of the participants from financial institutions in Harare. Findings revealed that organisations that in some way utilise internal auditing are more likely to detect let alone prevent fraud. Organisations that utilises an in-house internal audit function are more likely to detect and prevent fraud more than those organisations that completely outsource the function. Overall, the research found out that internal audit function is indeed effective in fraud detection and prevention if auditors are afforded chances to discharge their duties without interference from management. The study showed positive relationship between having an internal audit function and the rate of fraud detection. Internal auditors should consider professional balance in involvement and responsibility for fraud detection and prevention. Management should consider having a resident internal audit function in order to maximise on the benefits that arise from having a resident internal audit function.