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A Study into the Effects of Internal Audit on the Financial Performance of Commercial Banks in Zambia (A case of Standard Chartered)

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ABSTRACT: Commercial banks play an important role in an economy by providing financial services. However, in the course of providing these financial services, banks face risks such as fraud that pose a threat to the financial performance of the bank ultimately affecting both shareholders and stakeholders. The internal audit is one of the functions that were created to help mitigate or prevent these risks. The purpose of this study was to determine the effects of internal audit on the financial performance of commercial banks in Zambia with Standard Chartered being the case study. The study had 3 specific objectives; to determine the relationship between internal audit and the financial performance of Standard Chartered, to determine the impact of internal controls on the financial performance of Standard Chartered and to determine the impact of internal audit independence on the financial performance of Standard Chartered. The study presented the theoretical and conceptual frameworks as part of the literature study, which focused on information that is relevant to the internal audit function and the financial performance of commercial banks. The sample population for the study was 156 respondents and the researcher used a questionnaire and interviews to collect data as this was the most appropriate tool given the time of 3 months to complete the research. The questionnaire administered to respondents used the five-point likert scale to rate the responses of the respondents. The researcher used the Statistical Package for Social Sciences (SPSS version 20) software to process and analyse quantitative data while qualitative data was analysed using the thematic analysis. The software was also used to ensure reliability and validity of the research findings. To make the findings easy to understand and interpret, the findings were presented using pie charts, bar charts and tables. Based on the findings, the study concluded that there is a strong positive relationship between internal audit and the financial performance of Standard Chartered. The findings also found that internal controls and internal audit independence have a strong positive impact on the financial performance of Standard Chartered. This research will aid in making sure shareholders and management are aware of the impact internal audit has on the financial performance of commercial banks due to its role as a control system put in place to safeguard interests of both shareholders and stakeholders. The researcher recommended that Standard Chartered must always make sure their internal control systems technology are up to date and that they must also train their internal audit staff regularly to enhance their informational and technical competency. The researcher then proposed what future researchers can research on with regards to this research topic.

KEY WORDS: Bank performance, Fraud, Internal Control.

INTRODUCTION AND BACKGROUND TO THE STUDY

The need for commercial banks to be financially stable is very important to shareholders and stakeholders because financial stability does not affect the going concern of the bank and because shareholders want to profit from their investments. Furthermore, commercial banks massively contribute to the stability of an economy at large by being intermediaries and moving money from the supply side to the demand side in an economy. Internal audit is said to help organisations by providing independent assurance that a company's risk management, governance and internal control systems are effectively working. If all these things are effectively working, they must reflect in the performance of a company otherwise they will be deemed irrelevant to company operations (Beyanga, 2011). With that being said, the aim of this research is to assess the effects of internal audit on the financial performance of commercial banks in Zambia, a case of Standard Chartered.

The financial performance of banks according to Agapova & McNulty (2016) is determined by factors that have been split into 3 categories: bank specific factors, industry specific factors) and macroeconomic factors. They went on to say that these factors are different from traditional financial performance indicators like financial ratio analysis, return on asset, return on equity, and net interest margin. In addition, (Gul et al, 2011) wrote that the factors that fall in the 3 categories that affect a bank's performance are

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bank size, deposits, capital, loans, deposits, inflation and interest rates among many others. Internal factors are under the bank's control, and corporate government measures have been implemented to mitigate some of them (Alam et al, 2011).

Kenton (2021) stated that financial performance is a subjective indicator of a company's ability to earn revenue from its principal way of operation and that the phrase is frequently employed as a broad indicator of a company's overall financial health over time. Investors, shareholders and stakeholders learn about a company's overall health by looking at its financial performance as this portrays a snapshot of the company's financial health and how management is performing (Kenton, 2021).

Ejim (2022) acknowledged that commercial banks play a vital role in the economy and stated that they do not only provide a necessary service to consumers, but they also contribute to the creation of capital and liquidity in the market. They ensure liquidity in the economy by lending the funds that their clients deposited in their accounts to others who urgently need funds (Ejim, 2022). Ejim (2022) went on to mention that commercial banks have a role in loan creation, which leads to a rise in the output of production, employment, and consumer spending thereby strengthening the economy at large. To add on, Commercial banks being important players in an economy contribute to the development of an economy through various ways such as optimizing the allocation of limited capital by granting credit to the most productive sectors, in the economy as well as helping people to plan how to use their funds through saving and borrowing (**Beck et al,** 2020). As a result, commercial banks are extensively regulated by their country's central bank (Ejim, 2022). Central banks, for example, impose reserve requirements on commercial banks meaning that the commercial banks are obligated to retain a certain percentage of their customer deposits at the central bank as a risk management strategy in case the general public rushes to withdraw cash (Ejim, 2022). This requirement helps to avoid a bank from failing to provide its clients with funds and positioning the banks financial capabilities strategically. Therefore, the importance of commercial banks in an economy indicates how important their financial performance is because it affects the economy at large whether good or bad.

According to Bank of Zambia (2020), commercial banks are regulated and licensed by the Banking and Financial Services Act of 1994 (BFSA), as well as the Regulations and Prudential Guidelines established under it. Despite measures put in place to make sure commercial banks are successful in their operations, banks still face many risks that affect their financial performance e.g. credit risk, operational risk, fraud or error. To avoid this from happening, a successful internal audit function according to Beyanga (2011) may help with cost management, identifying methods that can increase efficiency and minimizing losses due to insufficient internal controls, all of which can have a substantial impact on an organization's financial performance such as a commercial bank. This means that internal audit can enhance financial performance of commercial banks. With progressive growth in the banking industry in Zambia, competition has become stiff making effective internal audit critical to help in achieving high level financial performance of commercial banks.

According to Ljubisavljević & Jovanović (2011) the job of internal audit is becoming increasingly significant, and the variety of activities done by internal auditors is expanding as time goes by. This is as a result of growth in the business world in terms of operations, complex transactions, business risks and the excessive use of information technology (Ljubisavljević & Jovanović, 2011). The other reason internal audit is becoming significant is because internal audit affects the organization over time by keeping track of important business indicators such as efficiency, risks, waste, profitability, and compliance within the organisation (Claypole, 2021). In order to properly examine the business risks detected and offer prompt remedial actions, a competent internal audit function has become necessary. This is because a lot of co-operations found it difficult to achieve their financial objectives due to poor corporate government policies, fraud and financial scandals as seen in the famous cases of Enron and Parmalat (Mikes & Kaplan, 2013). Internal audit, according to Bubilek (2017) is a critical support role for management, the audit committee, and all other corporate stakeholders.

Internal controls are a significant part of internal audit because internal controls are systems, policies, and procedures put in place by a corporation to assure the accuracy of financial and accounting data, to encourage accountability and to prevent fraud. Internal controls have become a critical business function for every corporation because they understand the power internal controls have to ensure the company is compliant with laws and regulations and also to prevent fraud and error.

According to Liberto (2020) internal auditors are the professionals found in the internal audit department who are employed by a company to make sure that functions and procedures of the company are being followed effectively and efficiently. Unfortunately, the internal auditor and management may have tension if it is discovered that there is financial impropriety with the management and because of that, it is important for the internal auditor to report directly to the audit committee and not management in order for the internal auditor to maintain independence and objectivity (Baharud-din et al, 2014). Therefore, internal auditors should have unrestricted access to records and employees as needed, and they should be free to use appropriate audit procedures and techniques without any hindrances. With that being said, it is safe to say that the internal audit function is only as effective as the internal auditors within the internal audit department.

According to Akinosho (2021) internal audit plays an important role in making sure that the public have confidence in the corporate governance and financial reporting of the organisation. Bett (2014) further states that internal audit functions have been incorporated by financial institutions to monitor and guarantee that the entire organization's financial performance is efficient through assisting the board of directors and top management in safeguarding the organization's assets, reputation, and long-term viability. An internal auditor reviews controls to verify that no revenue is lost through fraud or error, costs are appropriately controlled, and the company's assets are protected against waste or misuse impacting the quality and accountability of financial statements, which improves the banks financial performance (Hazaea et al, 2020).

STATEMENT OF THE PROBLEM

Commercial banks play an important role in an economy because not only do they contribute to the economy through payment of taxes; they also enhance economic development by acting as intermediaries, moving money from the supply side to the demand side in the economy. In addition to this, they also provide loans and other financial services to clients. All these activities allow banks to generate revenue and continue contributing to the economy.

However, in the course of providing these financial services, banks are exposed to many different types of risks that can threaten the bank operations and sustainability of the bank hence the need to have internal audit because it plays a cardinal role in eradicating some of these risks that can affect a bank. Internal audit according to Mullinger (2020) is an important component of a bank's internal control system. Among some of the risks that banks face are fraud and theft.

The internal audit role in commercial banks in Zambia has not been effectively enforced. This may be observed in the banking industry's incidents of mistakes, deception, and other forms of fraud for example, Pamela Gondwe an employee of Barclays bank (Prior to changing its name to Absa) in 2019 was a perpetuator of theft of money amounting to $400,000 (Lusakatimes, 2019). The incident created some financial problems for the bank in that year. Zanaco bank was also a victim of theft when their employee Imenda Musialike stole K59, 000 from the Monze Zanaco branch (Lusaka times, 2019). Another example is when a Zanaco Bank senior security officer of Ndola was on trial for fraudulently conducting 33 transactions from 32 clients' accounts and siphoning over K300, 000 (Times, 2021). Such incidents of fraud and theft affect the financial performance of banks and that is why it is important to have an effective internal audit in banks.

With that being said, this research will seek to determine the effect or impact that the internal audit has on the financial performance of commercial banks in Zambia. This is also because there has been no identifiable research that has covered this holistic framework of research in the Zambian setting and considering that the banking sector is very important to the economy of Zambia, this study was necessary.

JUSTIFICATION OF RESEARCH

Commercial banks play an important role in an economy and are critical to maintaining stability in an economy. However, banks face various types of risks that can easily affect and destabilize the operations of a bank and other banks within the financial sector. This is because apart from serving the public, banks also serve each other for example, they lend money to each other in case one bank has does not have sufficient funds to operate or lend to its clients. Therefore, if one bank fails, it can affect other banks and key financial players in the financial sector hence the importance of internal audit to help the banks mitigate some these risks and to help them operate effectively and efficiently which can ultimately enhance the financial performance.

Due to the risks that the commercial banks face in their operations, the researcher was motivated to undertake this research on the effects of internal audit on the financial performance of commercial banks in Zambia. This is because the risks that banks face affect the financial performance of the banks.

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PURPOSE OF THE STUDY

The aim of this study is to determine the effects of internal audit on the financial performance of commercial banks in Zambia. Specifically, the study examines:

i) To determine the relationship between internal audit and the financial performance of Standard Chartered.
ii) To determine the impact of internal controls on the financial performance of Standard Chartered.
iii) To determine the impact of internal audit independence on the financial performance of Standard Chartered.

RESEARCH QUESTIONS

i) Is there a relationship between internal audit and the financial performance of Standard Chartered?
ii) Do internal control activities have an impact on the financial performance of Standard Chartered?
iii) Does internal audit independence have an impact on the financial performance of Standard Chartered?

SCOPE OF THE STUDY

Due to the time constraint, the study's scope was confined to Standard Chartered bank and not all 17 commercial banks in Zambia.

LITERATURE REVIEW

According to Kagan (2021) a commercial bank is a financial organization that accepts deposits, provides checking account services, gives out loans, and provides people and small companies with basic financial products such as certificates of deposit and savings accounts among many other services.

Muga (2012) stated that on one hand, the financial performance of a bank can be analysed or appraised at a micro level of the economy with profit being the factor influencing how competitive a commercial bank is. To add on, profit helps banks to stay afloat within the financial market due to increasing competition. On the other hand, the financial performance of a bank can be analysed or appraised at a macro level by how it is able to survive and withstand uncertainties that befall the financial markets and also its ability to contribute to the financial markets as a whole (Muga, 2012). Financial stability can be enhanced through high financial performance of commercial banks because high profits lead provide free cash flow that can be reinvested into the business.

According to Lee & Kim (2013) investors, analysts, shareholders and other users of financial statements measure the financial performance of banks and other companies using ratio analysis. For example, to measure the profitability of banks and compare performance of different banks within the market, the return on asset and return on equity are used (Lee & Kim, 2013).

1.1 Internal Audit

Tuovila (2021) defined internal audit as a process that involves evaluating and analysing the internal controls of a company by making sure the company complies with laws and regulations. Internal audit is also responsible for evaluating and improving the corporate governance and accounting processes of the company to makes sure that there is timely and effective data collection and also accurate financial reporting. Tuovila (2021) further stated that internal audits also give management the tools they need to improve operational efficiency by detecting problems and fixing gaps before an external audit finds them.

The Institute of Internal Auditors (2021) defined internal audit as an activity designed to add value and improve the operations of a company by maintaining independence and high objectivity. Due to the independence and high objectivity, the internal audit helps in achieving company objectives because it evaluates and improves how effective risk management, control, and governance systems are in the company (The Institute of Internal Auditors, 2021).

1.1.1 Internal Audit and Organisational Financial Performance

The internal audit exists because there are scholars and professionals that believe that the presence of an internal audit in a company has an effect on the performance of an organisation. Beyanga (2011) stated that internal audit services within the company may assist in reducing overhead expenses, uncovering methods that can increase efficiency, and optimizing the exposure to potential losses from insufficiently secured corporate assets, all of which can have a substantial impact on an organization's financial performance and growth. Because shareholders are interested in the company making money and having excellent performance, the presence of internal audit through helping the company operate more effectively and efficiently, shareholders value increases too.

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1.1.2 Internal Controls

Jamshidi-Navid (2010) stated that internal controls are part of a system put in place by management to provide reasonable assurance that information is reliable, accurate, and timely; that it complies with relevant laws and regulations; and that financial reporting is reliable and in accordance with the financial reporting standards. Internal controls are designed to prevent fraud, mistakes and irregularities, identify issues, and guarantee that appropriate remedial action is implemented (Jamshidi-Navid, 2010). Jamshidi-Navid (2010) stated that the internal controls are put in place for various reasons among which are strengthening how reliable and dependable information is, strengthening how the firm complies with laws and regulations, safeguarding the use of assets, monitoring how resources are being used and strengthening the achievement of company goals.

According to Jamshidi-Navid (2010) the structure of the internal control system is made up of five interconnected components which are; control environment; risk assessment; control activities; information and communication; and monitoring. Control environment refers to how an organisation sets the tone by influencing the consciousness of its employees through the integrity of its employees, competency of employees, ethics of employees, how the company operates and the hierarchy of power among other factors (Jamshidi-Navid, 2010). Risk assessment addresses that the identification and analysis of relevant risks to the fulfilment of the objectives serves as the foundation for defining how the risks should be handled for example internal audit risk assessments and monthly risk-management meetings (Jamshidi-Navid, 2010).

Jamshidi-Navid (2010) stated that control activities are policies and procedures that are put in place by the organisation to aid in the implementation of management instructions. They comprise of a wide range of tasks such as approvals, authorizations, reconciliations, operational performance assessments and segregation of roles. According to Jamshidi-Navid (2010) the information and communication component of the internal control system addresses the fact that relevant information must be recognized, recorded, and conveyed in a manner and timeframe that allows employees to perform their duties on time. He further stated that information systems provide reports comprising operational, financial, and compliance-related data that allows the company to be operated and controlled easily (Jamshidi-Navid, 2010).

The last component of the internal control system is monitoring of internal control a system which is the responsibility of the internal audit function (Jamshidi-Navid, 2010). Monitoring requires the internal audit function to assess and evaluate the performance of the internal control system and how effective and efficient it is overtime (Jamshidi-Navid, 2010). This is done by continual monitoring, separate examinations, or a mix of the two. Monitoring of the internal control system must take place as the company carries out its daily operations and activities. Deficiencies in the internal control system must be reported and recommendations must be provided and implemented as soon as possible (Jamshidi-Navid, 2010).

1.1.3 Internal Audit Independence

Barrainkua & Espinosa-Pike (2018) stated that at the core of internal auditing is the independence of the auditors. This means that there shouldn't be external forces affecting the judgement of the internal audit because it would affect the objectivity of the audit and the opinions, conclusions and recommendations made by the auditor will not be trusted. To achieve an effective and efficient internal audit, independence must not be compromised.

To guarantee objectivity in their work, internal auditors must be independent from management, other personnel and the operations of the bank (Bank for international settlements, 2012). Bank for international settlements (2012) stated that to enhance this, every bank must have a framework that contains formalized principles of the internal audit, the position of internal auditors within the structure of the bank and how the internal audit relates with other departments in the bank. According to Abbott et al (2016) independence and objectivity of the internal audit can also be enhanced by making sure auditors are professionally competent to perform their duties and also rotating the internal auditors within the framework of the department. If auditors are independent, there is a higher chance of fraud and error being reduced and this reduction has an effect on the financial performance of a company (Stewart & Subramaniam, 2010).

1.1.4 Internal Audit Procedures and Reporting

The first step of audit procedures according to Clarke (2018) is to assess the existing processes and procedures of the company's internal control system. Thereafter, Clarke (2018) stated that the results found will be assessed in comparison to the internal control system objectives to find out whether the company is complying with their internal policies and also if there are complying with statutory laws and regulations. After that step, the auditors will then create a report to qualify their opinion and also summarize their findings and give possible recommendations if any problems were found (Clarke, 2018). The recommendations if enforced are what help the company achieve their objectives effectively and efficiently (Clarke, 2018).

1.2 Empirical Literature

Empirical literature is retrieved from research results that other scholars have done related to the research (Kuada, 2012). It is founded on seen and measured occurrences, and knowledge is derived from actual experience rather than theory or belief (Kuada, 2012).

1.2.1 Global Studies

Hallunovi (2021) conducted a study on 'the impact of internal audit on financial performance of commercial banks in Albania' and based on his findings, it was possible to conclude that internal audit has an impact on the financial performance of Albanian banks. His findings further discovered that the level of internal audit independence in the internal audit department has an impact on the financial performance of banks.

The findings of Hazaea et al (2020) who conducted a study on 'the impact of internal audit quality on financial performance of Yemeni commercial banks' demonstrate that auditor independence, as well as adherence to applicable international auditing standards that control workflow and governance, have a significant and favourable influence on enhancing financial performance in commercial banks.

1.2.2 Continental Studies

Kasiva (2012) in his study on 'the impact of risk based audit on financial performance of commercial banks in Kenya' found that return on asset and risk based audit approach have a positive correlation and ultimately influence the financial performance of commercial banks in Kenya. He further recommended that for financial performance to be realized, internal auditing standards have to be adopted.

According to Wainaina (2011) whose research focused on evaluating the internal control function of Kenya Polytechnic College found that the internal controls established within the college contributed to a good general accounting environment and accurate financial and operational records of the college enhancing organisational performance. Therefore, this study will find the extent to which internal audit affects the financial performance of commercial banks in Zambia.

Ongore & Kusa (2013) carried out a study on the 'determinants of financial performance of commercial banks in Kenya'. In their study, they indicate that internal audit plays a critical role in whether an organization will remain in the market for a long time and prosper or whether it will decline and fail.

Mutua (2012) investigated the 'influence that risk-based auditing has on the financial performance of Kenyan commercial banks'. She pointed out that for financial performance to be excellent, risk-based auditing is important, which necessitates effective and efficient internal auditing. According to the findings, risk-based auditing could be improved through risk assessment, risk management, yearly risk-based planning, internal auditing standards, and competent internal auditing personnel.

1.2.3 Local Studies

Banda (2020) conducted a study evaluating the factors affecting the performance and growth of microfinance institutions in Zambia. In her conclusions, she recommended that an effective internal audit team is critical to the performance and growth of an institution and that is why this study is aimed at finding the effect of internal audit on the financial performance of commercial banks in Zambia.

Katemena (2020) in his study on the analysis of the role of corporate governance in combating financial corruption in state-owned enterprises of Zambia found that the presence of internal control systems are critical in combating corruption and can have an effect on how enterprises operate. This study seeks to examine the extent to which the internal audit can impact the financial performance of commercial banks in Zambia.

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METHODOLOGY

Research Approach

Due to the quantitative orientation nature of this research, a deductive approach was used as the research approach for this study. This was the best approach for this study because information was gotten through surveys, questionnaires and interviews.
This study used a research strategy of surveys because the study involved the development of detailed knowledge and information about the study topic. Surveys were used and they allowed the researcher to collect data from respondents.
The researcher then analyses and looks for patterns in the data at this stage and works to construct a hypothesis that can explain those patterns Soiferman (2010). According to Liu (2016) the inductive approaches are usually used when the study is qualitative. This study did not use this approach because it tested hypothesis that emerged from existing theories and studies.

Deductive Approach

Usually described as the reverse of the inductive approach, the deductive approach is associated with investigation where a researcher tests the hypothesis that emerges from existing theories and studies that other researchers have already done Soiferman (2010). Therefore, this is the approach that was used in this study because it tested the hypothesis of the study to assess the impact of internal audit on the financial performance of commercial banks through the use of a survey questionnaire and by referring to existing theories and studies. Furthermore, the researcher used this approach because it involves thinking from the specific view to the general view and if a certain theory implies a relationship, it may be accurate in many circumstances (Soiferman, 2010).

1.3 Sampling Frame

A sampling frame is basically a list from which a sample will be drawn from (Acharya et al, 2013). There are 257 employees at Standard Chartered Bank Head Office.

1.4 Sample Size

The Slovin formula was used to determine an adequate sample size for the investigation. According to Ryan (2013), the minimal sample size for a population using Slovins formula is provided by:

$$n = \frac{N}{1 + Na^2}$$

n = sample size required

N = size of the population

a = accuracy degree expressed as a proportion (.05)

$$n = \frac{257}{1 + 257(0.05)^2}$$

$n = \mathbf{156}$

Therefore, this study had a sample size of 156 respondents.

RESEARCH FINDINGS AND DISCUSSIONS

1.5 Response Rate

The researcher had a sample size of 156 but of the 156 respondents targeted to participate in the study, only 127 completed the questionnaires and interviews. The completed questionnaire and interview participants account for 81.4 per cent of the sample size. Hardigan et al (2016) stated that in most cases, a survey response rate of 60% or greater should be regarded outstanding. The breakdown is that 60 per cent would be minor, 70 per cent would be decent, 80 per cent would be outstanding, and 90 per cent would be fantastic. With that being said, the response rate of 81.4 per cent for this study was outstanding.

1.6 Profiles of Respondents

To avoid biasness, the researcher handed out questionnaires to employees of every department in Standard Chartered. The profiles of respondents divide the features according to gender, age, level of education and how long the respondents had served in Standard Chartered.

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1.6.1 Gender

The researcher attempted to find the gender of the respondents and after data was collected, the findings showed that 55.1% were male and 44.9% were female.

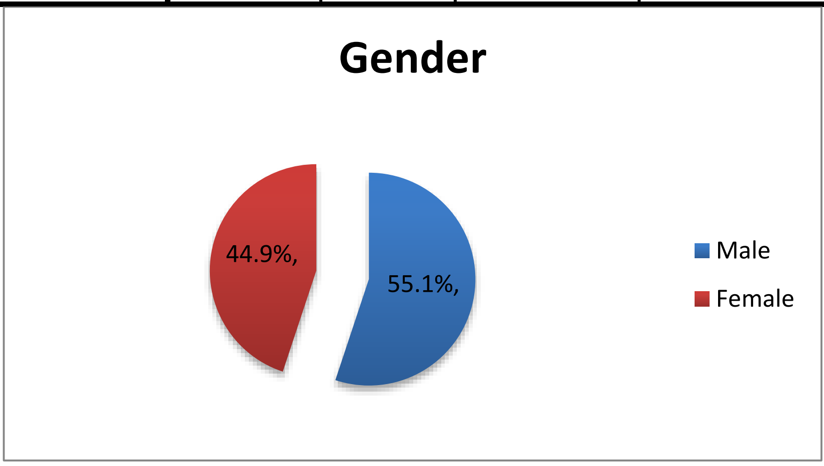
Statistics

Gender

N	Valid	127
	Missing	0

Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	70	55.1	55.1	55.1
	Female	57	44.9	44.9	100.0
	Total	127	100.0	100.0	



1.6.2 Age

The age of the respondents was also requested and the results found that there are very few people above the age of 50 among the respondents. The pie chart below further shows a breakdown of the age groups:

Statistics

Age

N	Valid	127
	Missing	0

Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 25	11	8.7	8.7	8.7
	25-34	47	37.0	37.0	45.7
	35-44	51	40.2	40.2	85.8
	45-50	17	13.4	13.4	99.2
	Above 50	1	.8	.8	100.0
	Total	127	100.0	100.0	

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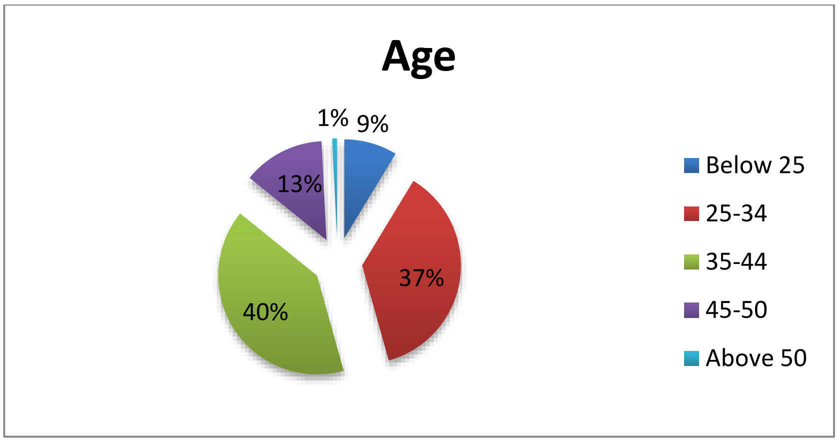


1.6.3 Level of Education

Majority of the respondents hold the Bachelor's degree followed by those with Masters and the rest follow. Only 4% of the respondents represent those with PHDs. The pie chart below shows the percentage division of level of education among respondents:

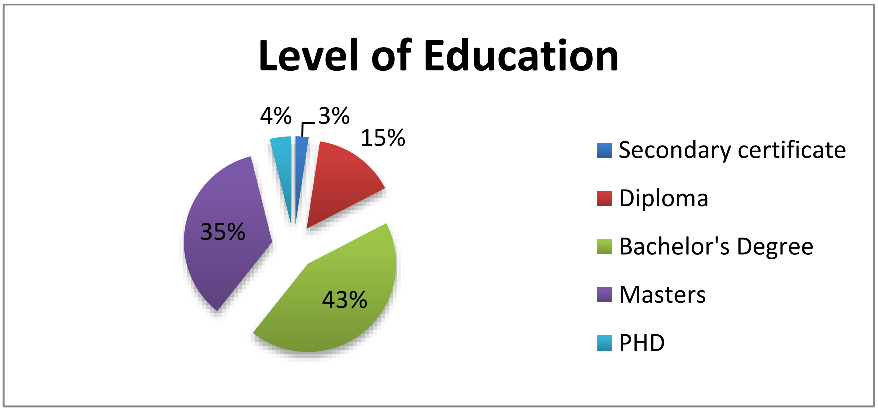
Statistics

Level of Education

N	Valid	127
	Missing	0

Level of Education

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Secondary Certificate	3	2.4	2.4	2.4
	Diploma	19	15.0	15.0	17.3
	Bachelor's Degree	55	43.3	43.3	60.6
	Masters	45	35.4	35.4	96.1
	PHD	5	3.9	3.9	100.0
	Total	127	100.0	100.0	



1.6.4 Work Experience

Lastly, the researcher attempted to determine how long the respondents have worked for Standard Chartered and the results show that majority of the respondents have worked for Standard Chartered for about 6-10 years. Below is a pie chart that breaks down the percentages of different work experience in Standard Chartered.

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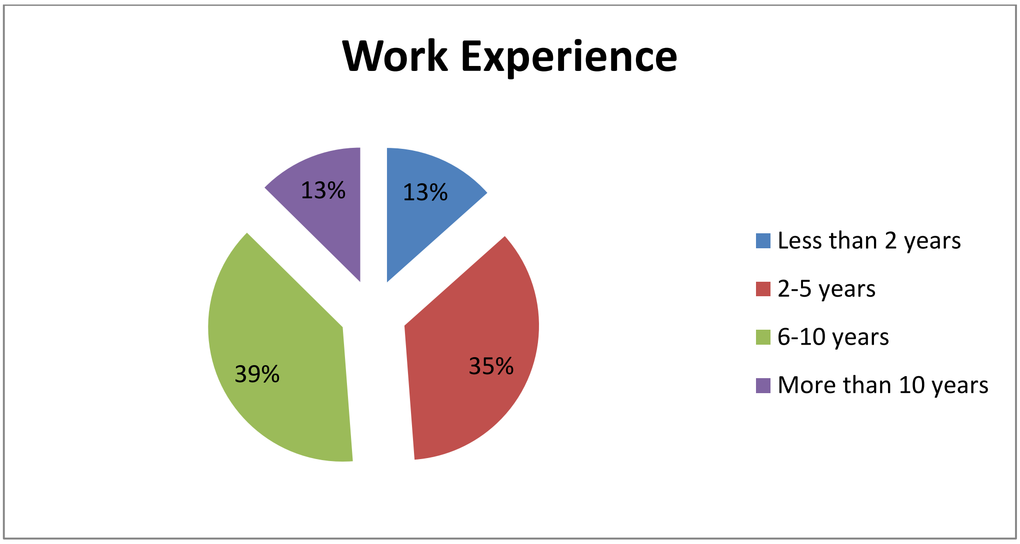
Statistics
Work Experience

N	Valid	127
	Missing	0

Work Experience

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 2 years	17	13.4	13.4	13.4
	2-5 years	45	35.4	35.4	48.8
	6-10 years	49	38.6	38.6	87.4
	More than 10 years	16	12.6	12.6	100.0
	Total	127	100.0	100.0	



1.7 Assessment of Findings and Analysis of each Instrument

The researcher assessed and analysed the results of the questionnaire and the interview independently with each question being analysed one at a time. The questionnaire was assessed and analysed using the Statistical Package for Social Sciences (SPSS version 20). Interview questions were assessed and analysed using the thematic analysis technique.

1.7.1 Participants Responses

The researcher used a 5 point likert scale in the questionnaire to allow respondents to select the degree to which they felt answered the question posed. Bar charts were used as a presentation of how respondents answered the questions. Furthermore, analysed output of the data using SPSS was also included in the presentation of findings.

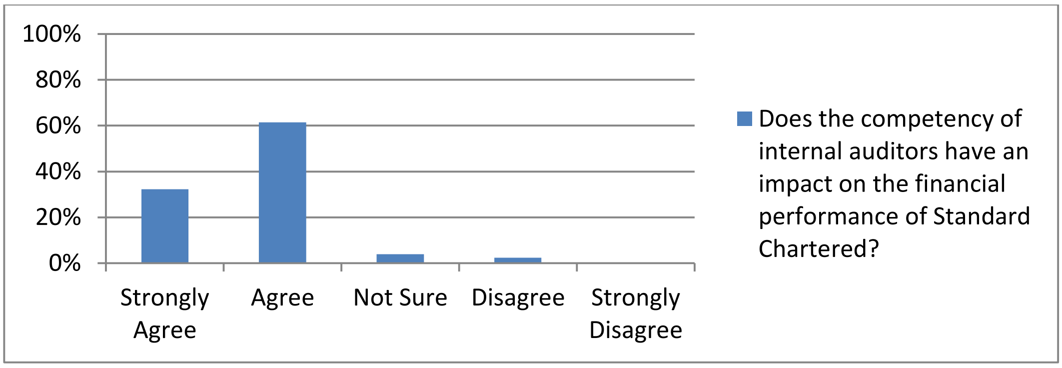
1.7.1.1 Competency

Statistics
Do you think the competency of internal auditors has an impact on the financial performance of Standard Chartered?

N	Valid	127
	Missing	0

Do you think the competency of internal auditors has an impact on the financial performance of Standard Chartered?

		Frequency	Per cent	Valid Per cent	Cumulative Per cent
Valid	Strongly Agree	41	32.3	32.3	32.3
	Agree	78	61.4	61.4	93.7
	Not Sure	5	3.9	3.9	97.6
	Disagree	3	2.4	2.4	100.0
	Total	127	100.0	100.0	



1.7.1.2 Experience, educational, professional, and technical competency

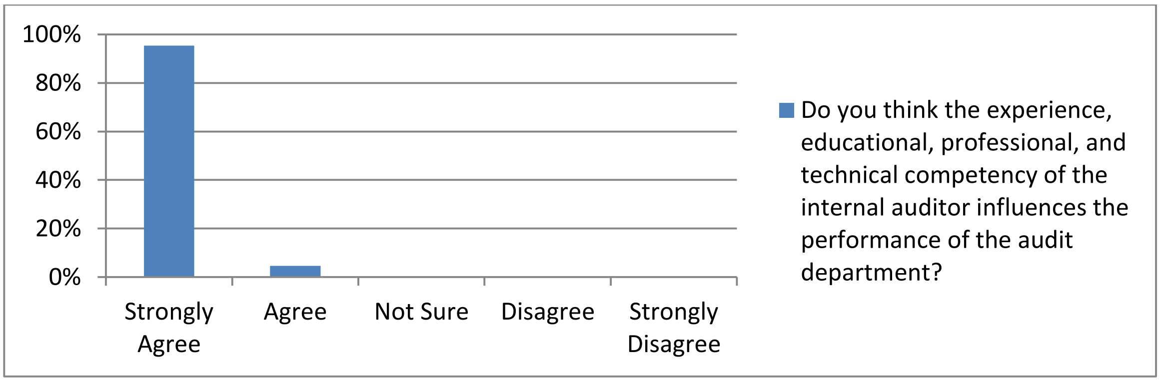
Statistics

Do you think the experience, educational, professional, and technical competency of the internal auditor influences the performance of the audit department?

N	Valid	127
	Missing	0

Do you think the experience, educational, professional, and technical competency of the internal auditor influences the performance of the audit department?

		Frequency	Per cent	Valid Per cent	Cumulative Per cent
Valid	Strongly Agree	121	95.3	95.3	95.3
	Agree	6	4.7	4.7	100.0
	Total	127	100.0	100.0	



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1.7.1.3 Internal Controls

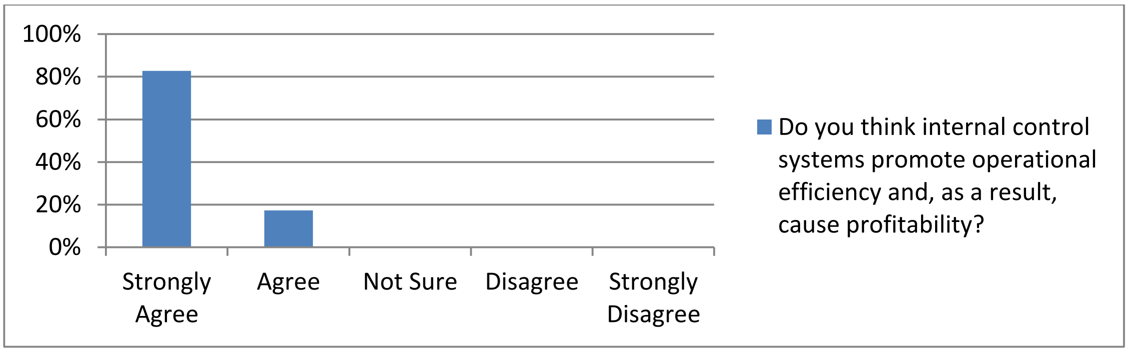
Statistics

Do you think internal controls have an effect on the financial performance of Standard Chartered?

N	Valid	127
	Missing	0

Do you think internal controls have an effect on the financial performance of Standard Chartered?

		Frequency	Per cent	Valid Per cent	Cumulative Per cent
Valid	Strongly Agree	122	96.1	96.1	96.1
	Agree	5	3.9	3.9	100.0
	Total	127	100.0	100.0	



1.7.1.4 Internal Control Systems

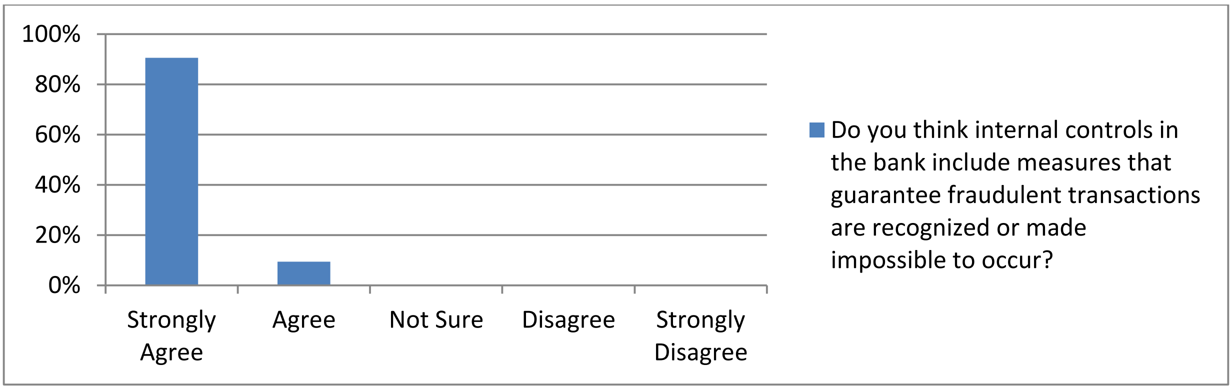
Statistics

Do you think internal control systems promote operational efficiency and, as a result, cause profitability?

N	Valid	127
	Missing	0

Do you think internal control systems promote operational efficiency and, as a result, cause profitability?

		Frequency	Per cent	Valid Per cent	Cumulative Per cent
Valid	Strongly Agree	115	90.6	90.6	90.6
	Agree	12	9.4	9.4	100.0
	Total	127	100.0	100.0	



1.7.1.5 Internal Control Measures

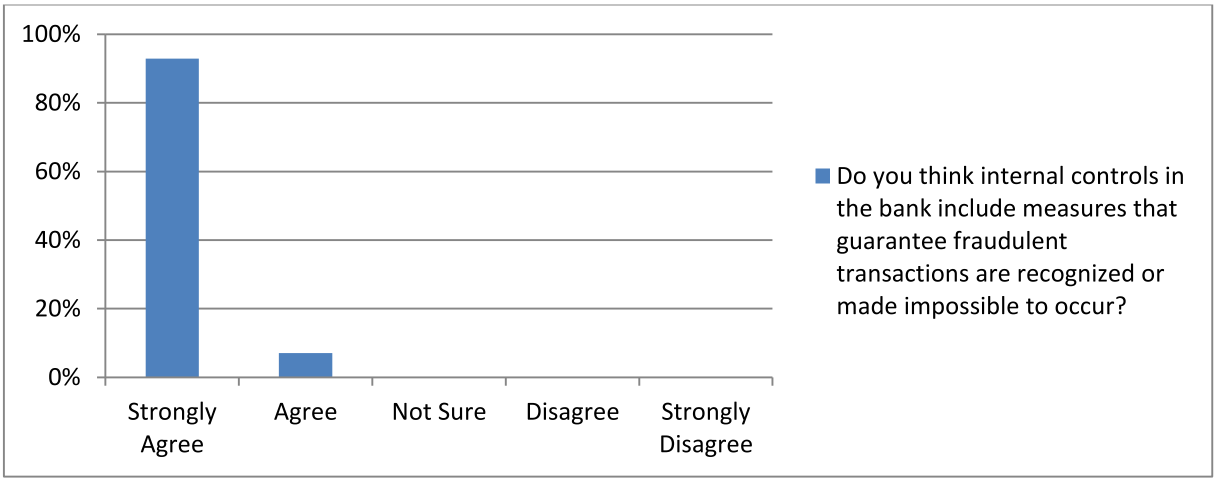
Statistics

Do you think internal controls in the bank include measures that guarantee fraudulent transactions are recognized or made impossible to occur?

N	Valid	127
	Missing	0

Do you think internal controls in the bank include measures that guarantee fraudulent transactions are recognized or made impossible to occur?

		Frequency	Per cent	Valid Per cent	Cumulative Per cent
Valid	Strongly Agree	118	92.9	92.9	92.9
	Agree	9	7.1	7.1	100.0
	Total	127	100.0	100.0	



1.7.1.6 Internal Audit Independence

Statistics

Do you think internal audit independence has an effect on the financial performance of Standard Chartered?

N	Valid	127
	Missing	0

Do you think internal audit independence has an effect on the financial performance of Standard Chartered?

		Frequency	Per cent	Valid Per cent	Cumulative Per cent
Valid	Strongly Agree	44	34.6	34.6	34.6
	Agree	80	63.0	63.0	97.6
	Not Sure	3	2.4	2.4	100.0
	Total	127	100.0	100.0	

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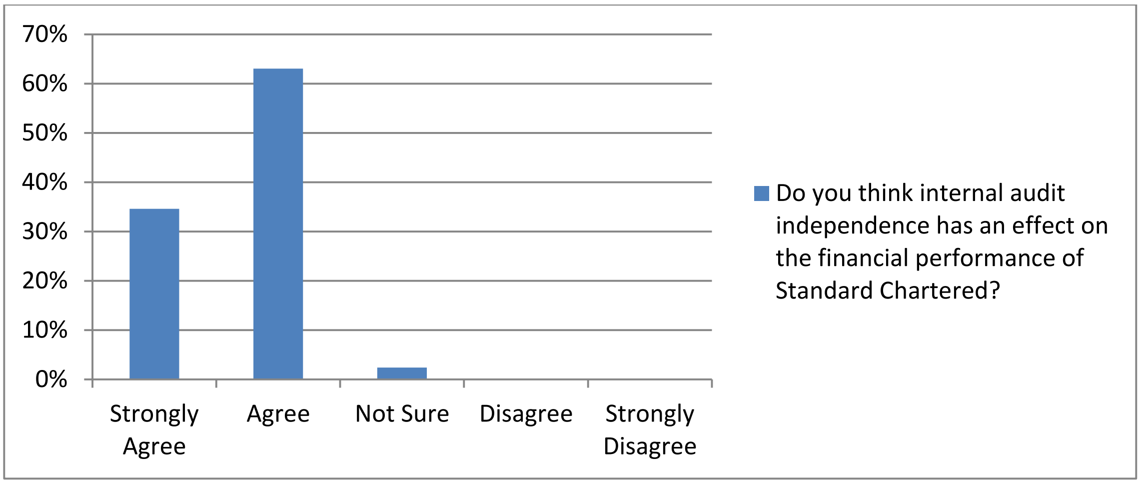


1.7.1.7 Independence is Critical

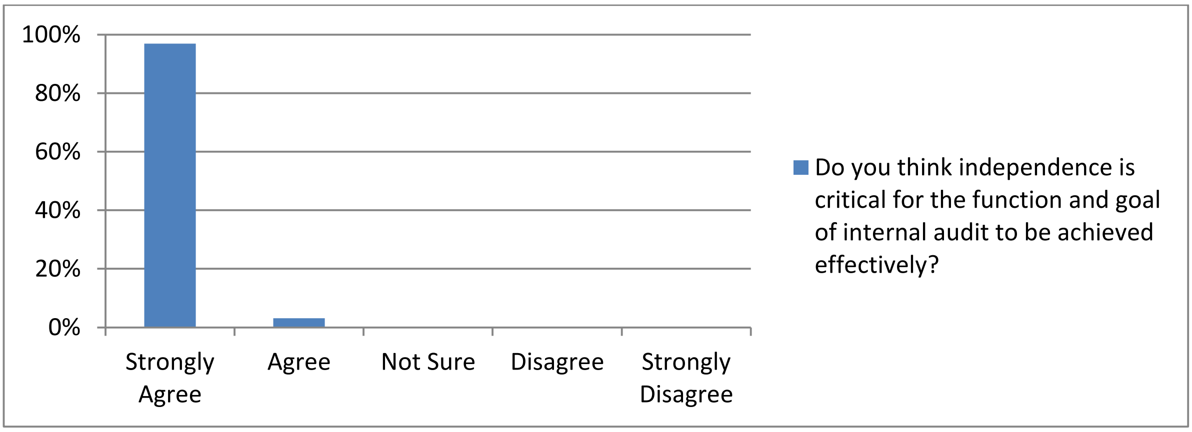
Statistics

Do you think independence is critical for the function and goal of internal audit to be achieved effectively?

N	Valid	127
	Missing	0

Do you think independence is critical for the function and goal of internal audit to be achieved effectively?

		Frequency	Per cent	Valid Per cent	Cumulative Per cent
Valid	Strongly Agree	123	96.9	96.9	96.9
	Agree	4	3.1	3.1	100.0
	Total	127	100.0	100.0	



1.7.1.8 Internal Audit

Statistics

Do you think internal audit has an effect on the financial performance of Standard Chartered?

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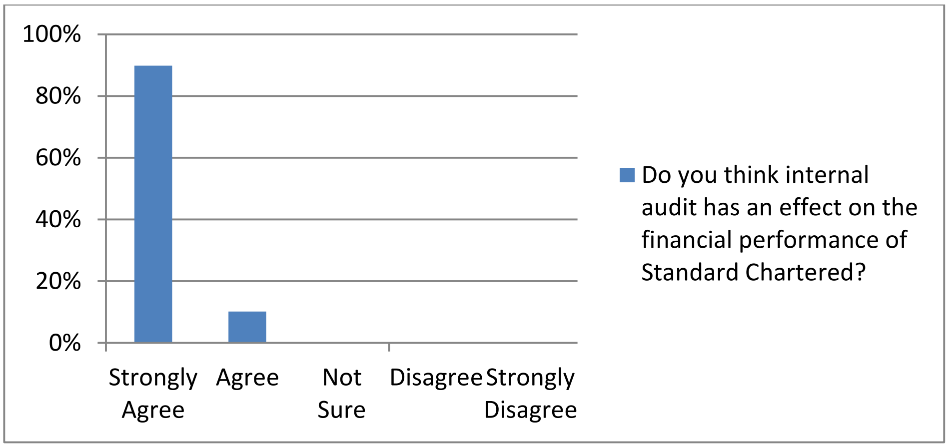
N	Valid	127
	Missing	0

Do you think internal audit has an effect on the financial performance of Standard Chartered?

		Frequency	Per cent	Valid Per cent	Cumulative Per cent
Valid	Strongly Agree	114	89.8	89.8	89.8
	Agree	13	10.2	10.2	100.0
	Total	127	100.0	100.0	



1.8 Assessment of Validity

Descriptive Statistics

	Mean	Std. Deviation	N
Age	2.61	.856	127
Work Experience	2.50	.881	127

Correlations

		Age	Work Experience
Age	Pearson Correlation	1	.728**
	Sig. (2-tailed)		.000
	N	127	127
Work Experience	Pearson Correlation	.728**	1
	Sig. (2-tailed)	.000	
	N	127	127

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

A correlation of 0.6 or above indicates that validity exists, hence this research may be determined to be valid because the correlations of the variables is 0.728 as shown above

1.9 Assessment of Reliability

Cronbach's Alpha indicates the reliability of the data. Interpretation of the Cronbach's alpha is that Cronbach's Alpha of 0.7 and below may have limited applicability, 0.7 to 0.79 is very good, 0.8 to 0.89 is excellent and anything from 0.9 to 1 is outstanding (Park, 2021).

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Case Processing Summary

		N	%
Cases	Valid	127	100.0
	Excluded[a]	0	.0
	Total	127	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.733	.791	8

Reliability statistics of this study that were gotten through the use of SPSS show that the Cronbach's Alpha is 0.733 meaning that the research is reliable.

1.9.1 Presentation and Analysis of Interview Findings

1.9.1.1 Question 1: Do you think internal audit has an effect on the financial performance of Standard Chartered?

The researcher interviewed the respondents and asked them if internal audit has an effect on the financial performance of Standard Chartered. Through thematic analysis, the findings discovered that all respondents agreed to internal audit having an effect on the financial performance of Standard Chartered and they stated that this was because internal audit is responsible for monitoring the effectiveness and efficiency of internal controls.

The respondents stated that internal controls of the bank were responsible for minimising the possibility of fraud and error that can occur. They went further to mention that internal audit was also responsible for making sure that the bank is adhering to financial reporting standards and also compliant to laws and regulations. Thereafter, the respondents concluded by stating that if internal audit ensures that fraud and error is reduced, compliance with laws and regulations, the financial performance can be improved and that is how they have an effect on the financial performance of the bank.

1.9.1.2 Do you think the bank can operate effectively and achieve its intended financial performance without the internal audit department?

The second question the researcher asked the respondents was if the bank can operate effectively and achieve its intended financial performance without the internal audit department. The analysis of findings found that only 17% of the respondents agreed to the bank being able to operate effectively and achieve its intended financial performance without the internal audit department. They stated that this was because the once off external audits also assess the effectiveness of internal controls which is enough for the bank making the internal audit department irrelevant.

On the other hand, the remaining 83% of respondents disagreed and stated that it is impossible for the bank to operate effectively and achieve its intended financial performance without the internal audit department. They stated that despite having external audits that assess the effectiveness of internal controls, there is still need for an internal audit department to frequently assess the effectiveness and efficiency of these internal controls. They added on by stating that this is because banks are in a complex business that involves transactions of huge amounts and these transactions happen on a daily basis. They also stated that internal controls can be defective sometimes and the fact that transactions take place every day, there is need for frequent monitoring and assessment to protect funds of clients and that is why the internal audit department is important to help reduce the possibilities of fraud and error.

1.9.1.3 Do you think audit independence has an effect on the financial performance of Standard Chartered?

The researcher asked the respondents if audit independence has an effect on the financial performance the bank. Majority of the respondents agreed to audit independence having an effect on the financial performance of Standard Chartered. From the findings, it was discovered that the bank makes sure that internal auditors have no operational responsibility or authority over the operations they audit. As a result, they do not establish or implement systems or processes, compile records, or do any other activity that would ordinarily be audited.

The respondents added to say that this enhances independence and makes work easy for the internal auditors because threats that can affect their objectivity such as familiarity or self-review are eliminated. They respondents went further to state that if internal auditors are highly independent, their professional scepticism is also enhanced and the possibilities of fraud and error taking place are reduced. Respondents stated that if the possibilities of fraud and error taking place in an organisation such as a bank that are frequently exposed to fraud and error, the financial performance is definitely affected.

1.10 Hypothesis Testing

$\boldsymbol{H_o}$: Internal audit has no effects on the financial performance of commercial banks in Zambia

$\boldsymbol{H_1}$**:** Internal audit has an effect on the financial performance of commercial banks in Zambia

The findings gathered by the researcher and results shown above present sufficient evidence that internal audit has an effect on the financial performance of Standard Chartered. With that being said, the null hypothesis $\boldsymbol{H_o}$ has been rejected and the alternative hypothesis $\boldsymbol{H_1}$ has been accepted.

RECOMMENDATION

From the findings, it is evident that internal controls play a very significant role in the operations of Standard Chartered and the impact it has on the financial performance makes it very crucial to the bank. Therefore, to make sure the internal controls remain effective and efficient, the researcher recommended to management of Standard Chartered to make sure they stay abreast with technological changes in ICT audit softwares. Furthermore, internal auditors must be frequently trained on how to use the updated softwares.

From the results shown in chapter four, more than 90 per cent of the respondents strongly agreed with the question if they thought the experience, educational, professional, and technical competency of the internal auditor influences the performance of the audit department. From these results the researcher recommended to Standard Chartered to make sure employees in the internal department are frequently trained with regards to internal audit related issues so as to enhance the performance of the audit team which ultimately has an impact on how internal controls can be effective.

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