

# GREAT ZIMBABWE UNIVERSITY



## MUNHUMUTAPA SCHOOL OF COMMERCE

**RISK MANAGEMENT MEASURES TOWARDS SAFEGUARDING INVENTORY. A  
CASE STUDY OF INDUSTRIAL VALVES AND STEEL SUPPLIERS (PRIVATE)**

**LIMITED (2019 -2023)**

**DISSERTATION**

**BY**

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PROFESSIONAL ACCOUNTING AND CORPORATE GOVERNANCE**

**MASVINGO, ZIMBABWE**

**YEAR 2023**

## DECLARATION

I, Timothy Chapata, I declare that am a bonafide producer and owner of this dissertation and the work presented therein is my own. I do also affirm that it has not been submitted by any other student to any academic institution. The contents of this paper has been submitted in partial fulfilment of the Master of Commerce Degree in Professional Accounting and Corporate Governance.

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**APPROVAL FORM**

I, the undersigned certify that I have read and recommend to Great Zimbabwe University for acceptance; a project entitled “**Risk management measures towards safeguarding inventory. A case study of Industrial Valves and Steel Suppliers (private) limited (2019 -2023)**” submitted by Timothy Chapata in partial fulfilment of the requirements for Master of Commerce Degree in Professional Accounting and Corporate Governance.



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## **DEDICATION**

This dissertation is dedicated to my family - for their unwavering support and belief in my dreams. To my parents, whose sacrifices and guidance have shaped who I am, and to my siblings, for their constant encouragement and inspiration. Their love and support have been my strength throughout this journey.

I also dedicate this work to my mentors and professors at Great Zimbabwe University, whose wisdom and guidance have been invaluable in my academic pursuits.

Lastly, to all those who aspire to make a difference through knowledge and perseverance, may this work inspire you.

## **ABSTRACT**

This comprehensive dissertation explores the effectiveness of risk management measures at Industrial Valves and Steel Suppliers (Pvt) Limited, Zimbabwe, over the period 2019-2023, focusing on inventory safeguarding. Through a mixed-methods approach, combining quantitative questionnaires and qualitative interviews, the study critically examines the internal control systems, their implementation, and the challenges faced in mitigating inventory-related risks. Significant findings reveal a disparity in the effectiveness of risk management strategies, influenced by factors such as employee awareness, organizational commitment, and procedural robustness. The study also uncovers areas of vulnerability within the company's procurement and inventory management processes, highlighting the need for enhanced internal audit functions and continuous review of risk management practices. The dissertation concludes with strategic recommendations for strengthening the company's risk management framework, emphasizing the importance of regular training, clear communication, and adaptation to evolving business environments. This research offers valuable insights into risk management and internal control, providing a comprehensive analysis that contributes to both academic understanding and practical application in the field.

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## TABLE OF CONTENTS

### Contents

<b>APPROVAL FORM</b> .....	iv
<b>DEDICATION</b> .....	v
ABSTRACT.....	vi
<b>ACKNOWLEDGEMENTS</b> .....	vii
CHAPTER I.....	1
INTRODUCTION.....	1
1.0 Introduction.....	1
1.1 Background of the Study.....	2
1.2 Statement of the Problem.....	5
1.3 Justification of the Study.....	5
1.4 Objectives of the Study .....	6
1.5 Research Questions.....	6
1.7 Limitations of the Study .....	8
1.9 Delimitations of the Study.....	9
1.10 Definition of Terms.....	9
1.11 Organization of the Study .....	10
1.12 Summary .....	11
CHAPTER II.....	12
LITERATURE REVIEW .....	12
2.0 Introduction.....	12
<b>2.1 Conceptual Framework</b> .....	12
<b>2.1.1 Control Environment</b> .....	12
<b>2.1.2 Risk Assessment</b> .....	13

2.1.3 Information and Communication System.....	15
2.1.4 Control Activities.....	17
2.1.5 Monitoring and evaluation .....	18
2.2 Theoretical Framework .....	19
2.3 Empirical Review .....	21
2.3.1 To Assess the Factors affecting risk management measures are there effective in safe guarding inventories at Industrial Valves and Steel Suppliers pl Zimbabwe. ....	22
2.3.2 To Determine the effectiveness of the internal control systems in safeguarding inventories at Industrial Valves and Steel Suppliers PI Zimbabwe. ....	23
2.3.3 To establish the Company exposure to risk as a result of slack risk internal controls in safeguarding inventories.....	24
2.3.4 To provide recommendations to the Entity Management based on findings; ....	26
2.3.5 To identify strategies that can be taken to eliminate fraud and Theft of Inventory at Industrial Valves and Steel Suppliers PI Zimbabwe. ....	26
2.4 Research Gaps .....	27
2.5 Summary .....	28
CHAPTER III.....	29
RESEARCH METHODOLOGY .....	29
3.0 Introduction.....	29
3.1 Research Philosophy .....	29
3.2 Research Design .....	29
3.3 Research Method .....	30
3.4 Research Strategy.....	30
3.5 Population .....	30
3.6 Sample Size Determination .....	31
3.7 Sampling Technique/Procedure.....	32

3.8 Data Gathering Instruments.....	33
3.8.1 Questionnaires .....	33
3.8.2 Interviews.....	33
3.9 Data Collection Procedure .....	33
3.10 Primary Sources of Data.....	34
3.11 Secondary Sources of Data.....	34
3.12 Ethical Considerations.....	34
3.13 Data Analysis .....	35
3.14 Summary .....	35
<b>CHAPTER IV.....</b>	<b>37</b>
<b>DATA PRESENTATION, ANALYSIS AND INTERPRETATION .....</b>	<b>37</b>
<b>4.0 Introduction .....</b>	<b>37</b>
<b>4.1 Questionnaire response rate.....</b>	<b>37</b>
<b>4.2 Demographics of Questionnaires Respondents .....</b>	<b>38</b>
<b>4.2.1 Respondents’ gender .....</b>	<b>39</b>
<b>4.2.2 Respondents’ age .....</b>	<b>40</b>
<b>4.2.3 Educational Qualifications of Respondents .....</b>	<b>41</b>
<b>4.2.4 Respondents’ working experience.....</b>	<b>42</b>
<b>4.3 Presentation of Results.....</b>	<b>42</b>
<b>4.4 Discussion of Interviews .....</b>	<b>59</b>
<b>4.5 Summary .....</b>	<b>61</b>
<b>CHAPTER V.....</b>	<b>62</b>
<b>SUMMARY, CONCLUSIONS AND RECOMMENDATIONS .....</b>	<b>62</b>
<b>5.0 Introduction.....</b>	<b>62</b>

5.1 Summary of the Study..... 62

5.2 Summary of Major Findings ..... 64

5.3 Conclusions..... 65

5.4 Recommendations ..... 67

5.5 Recommendations for Further Study..... 69

REFERENCES ..... 72

**LIST OF TABLES**

**Table 3. 1: Table for determining samples size for a known population..... 32**

**Table 4. 1: Questionnaire response rate ..... 38**

**Table 4. 2 Respondents' age..... 40**

**Table 4. 3 Respondents' qualifications..... 41**

**Table 4. 4 Respondents working experience..... 42**

## LIST OF FIGURES

<b>Fig 4. 1: Respondents' Gender.....</b>	<b>39</b>
<b>Fig 4. 2: Perceptions of Risk Management Measures at Industrial Valves and Steel Suppliers Private Limited in Zimbabwe.....</b>	<b>43</b>
<b>Fig 4. 3: Effectiveness of Risk Management Measures in Preventing or Detecting Errors and Irregularities in Safeguarding Inventory.....</b>	<b>44</b>
<b>Fig 4. 4: Review of Risk Management Measures on Internal Procurement Control System. ....</b>	<b>46</b>
<b>Fig 4. 5: Existence and Currency of Risk Management Measures on the Internal Procurement Control System Policy and Procedure Manual.....</b>	<b>47</b>
<b>Fig 4. 6: Internal Review of Employee Skills and Experience in Safeguarding Inventory..</b>	<b>48</b>
<b>Fig 4. 7: Maintenance of Off-Premises Copies of Operating Systems and Programs. ....</b>	<b>49</b>
<b>Fig 4. 8: Review of Risk Management Measures on Internal Procurement Control System. ....</b>	<b>50</b>
<b>Fig 4. 9 Existence of Personal Financial Interests of Key Officers or Employees Source: Research data (2023).....</b>	<b>51</b>
<b>Fig 4. 10 Risk Assessment in Safeguarding Inventory.....</b>	<b>52</b>
<b>Fig 4. 11 Processes in Place for Assessing and Controlling Risks. ....</b>	<b>53</b>
<b>Fig 4. 12: Identification of the Most Significant Risks Facing the Company.....</b>	<b>54</b>
<b>Fig 4. 13: Communication of Risks and Management's Recognition: .....</b>	<b>55</b>
<b>Fig 4. 14: Internal Audit Function in Safeguarding Inventory. ....</b>	<b>56</b>
<b>Fig 4. 15: Clear Description of Duties and Responsibilities.....</b>	<b>57</b>
<b>Fig 4. 16: Consequences for Employees Who Commit Fraud and Theft .....</b>	<b>58</b>

**LIST OF APPENDICES**

**APPENDIX A** ..... 76  
**APPENDIX B** ..... 78  
**APPENDIX C** ..... 82

# CHAPTER I

## INTRODUCTION

### 1.0 Introduction

This dissertation embarks on an in-depth evaluative journey, delving into the intricate dynamics of risk management measures employed by Industrial Valves and Steel Suppliers (Pvt) Limited, Zimbabwe, in the context of inventory safeguarding from 2019 to 2023. This period, characterized by significant economic shifts and technological advancements, presents a critical backdrop for examining the evolving challenges and strategies in risk management. In an era where industrial operations are increasingly interlinked with global supply chains and technological dependencies, the importance of effective risk management cannot be overstated. It plays a crucial role not only in the sustenance of a company's operational integrity but also in securing its competitive edge in the marketplace. Therefore, this study is rooted in the premise that understanding and enhancing risk management practices are pivotal for the prosperity and resilience of organizations, especially in the highly competitive and dynamic industrial sector. Through this exploration, the dissertation aims to shed light on the effectiveness, challenges, and evolution of risk management strategies at Industrial Valves and Steel Suppliers, offering insights that are both industry-specific and broadly applicable in the field of organizational risk management. This chapter presents the research problem that made the researcher embark on this piece of work. It looks at the background of the study, statement of the problem, research objectives, research questions, significance of the study, delimitations, limitations, definition of terms, and finally a summary of the chapter.



## **1.1 Background of the Study**

The concept of risk is as old as mankind (Garaczi 2013, p. 1), yet arguably the role of risk became significantly more prominent in late modernity. Bernstein (1998) goes as far as to say that the mastery of risk defines the boundary between modern times and the past. This is a sound argument even though the further we look back in time, the greater the exposure of (pre)modern societies to hazards (Dessewffy 2002). The seeming contradiction is resolved by a distinction between the con- in most walks of life, traditional societies were not faced with risks but hazards, which were duly explained by unforeseeable Fate, Providence, or Will of God (Dessewffy 2002), risk being mostly confined in those times to the realms of gambling and adventures. Providing the foundations for modernization, scientific and technological development eliminated the hazards and risks posed by nature, while giving rise to new ones (Lanyi 2011). The level of development in this regard varies by culture and society. The lower the level of modernization in a society, the more risks and hazards are presented by nature. That is, societies increasingly face technological risks as they develop; however, as a result of globalization, the risks of more developed societies may also impact other (possibly less developed) societies: in the course of human history, personal risks have evolved into global ones. Ulrich Beck captures this argument by saying that “the social production of wealth is systematically accompanied by the social production of risks” (Beck 1986/2003). As a result, the problems of resource distribution are outweighed by the risks stemming from the production, identification, and distribution of risks produced through science and technology. He calls this risk society, which replaces industrial society when the hazards created by social decisions go beyond the boundaries of insurability (Beck 1998), i.e., protection is no longer provided by private insurers. Consequently, Beck maintains that private insurers keep the gates of risk society. This is confirmed by recent disasters caused by technology. Perrow (1987)

inferred both theoretically and empirically that absolute security is non-existent in the field of high-risk technologies; as such technologies no longer involve linear processes, complex interactions will inevitably lead to systemic accidents (cit cited in Szijarto, 1998). And the latter cannot be prevented through an ever-growing number of security measures, because they merely add to the complexity of systems (Szijarto, 1998). Beck further argues that tragedies are also attributable to the fragmentation of liabilities because, in the context of global risks, it is mostly impossible to establish personal liability (Dessewffy 2002). Evolving during the development of capitalism, the institution of limited liability may also encourage disproportionate risk-taking, which in turn may be intensified by the softened budgetary constraints of enterprises (Kornai, 2014).

Industrial Valves and Steel Suppliers is a locally registered Company, established in Zimbabwe in 2012. Industrial Valves and Steel Suppliers (Private) Limited, which operates out of 3 countries in Africa. They provide everything from basic valve or fitting up to a specialized turnkey project. Their products are supplied to navies throughout the world, as well as being used in chemical plants, fire-fighting equipment, natural and LPG gas applications, and both on and offshore applications. It operates in the iron and steel sector as a registered Company. It is one of the middle Companies in Zimbabwe in terms of market capitalization. In terms of its branch network, it has 4 Branches in Zimbabwe. The process of financial accounts and data production should be based on a recognized, well-defined, and well-organized system of procedures. If the Inventory transactions are to be properly and correctly observed, documented, recorded, and collated, then there must be a system that is designed to cope with this activity. For this reason, the management of the organization has, in general, over many years, placed a great deal of emphasis on having a strong system of risk management measures and internal control, where possible. This system is

intended to maintain an adequate process of accounting data production and safeguard the organization against possible financial loss due to poor procurement procedures, fraud, and theft.

Internal control and risk management measures, in its broadest sense, include all controls, checks, and procedures, formally instituted by the management, to maintain the maximum administrative and operational efficiency possible within the accounting and non-accounting function of the business organization. However, in terms of financial accounting, the system is mainly concerned with those controls that exist to aid the processing of reliable accounting data and to safeguard companies' Inventory.

An important feature of the impact of Internal control and risk management measures is the director review of the company's financial operations and position at regular and frequent intervals utilizing interior accounts and reports, operating summaries, and other appropriate financial and statistical. In addition to regular view, management may from time to time call for special reviews of Inventory. Managerial review and supervision are essential elements in an efficient and effective internal control system.

Industrial Valves and Steel Suppliers Pl, like other business organizations, achieves its objective through the use of human and economic resources. In most cases, the economic resources are provided by various interest groups that do not participate in the day-to-day normal running of the operation of the business. The onus is therefore, on the management to make sure these resources are effectively and efficiently managed to achieve the set goal and to build up public confidence, the desired control achieved through the setting up of a good and valid internal control and risk management measures system.

## **1.2 Statement of the Problem**

The general performance of the Industrial Valves and Steel Suppliers (Private) Limited for past years has been adversely affected by poor procurement procedures, fraud, and theft of Inventory. The staff is stealing Inventory and defrauding the Organisation. The Entity's period profits were eroded with the losses emanating from frauds, and theft of Inventory. Management is concerned about whether these losses show the true state of internal controls in the organization.

The researcher sought and was granted authority to carry out this research by the head of Internal Audit of the Entity. It was also in partial fulfillment of the researcher's Masters of Commerce in Professional Accounting and Corporate Governance course requirement to carry out dissertation research. The researcher therefore went on to carry out research entitled "Risk management measures towards safeguarding inventory. A case study of Industrial Valves and Steel Suppliers (private) limited (2019 -2023))" risk management Measures towards safeguarding Inventory.

## **1.3 Justification of the Study**

Internal controls control the risk of companies' financial loss or misstatements. For example, Audited Financial Statements for Industrial Valves and Steel Suppliers PI for 2019, 2020, 2021, 2022, and 2023 in particular, shows that there was financial loss or misstatements caused by poor procurement procedure, fraud, and theft. This gave the Entity problems of inefficient and ineffective Internal Control and risk management measures Systems which caused risk of financial loss, Inventory theft, and misstatement. This study therefore sought to investigate the risk management measures towards safeguarding Inventory Systems of Industrial Valves and Steel Suppliers PL in Zimbabwe.

#### **1.4 Objectives of the Study**

1. Assess the Factors affecting risk management measures in safeguarding inventories at Industrial Valves and Steel Suppliers pl Zimbabwe.
2. Determine the effectiveness of the internal control systems in safeguarding inventories at Industrial Valves and Steel Suppliers Pl Zimbabwe.
3. Establish the Industrial Valves and Steel Suppliers pl Zimbabwe's exposure to risk as a result of slack risk internal controls in safeguarding inventories.
4. Provide recommendations to Industrial Valves and Steel Suppliers pl Zimbabwe Management based on findings.
5. Identify strategies that can be taken to eliminate fraud and Theft of Inventory at Industrial Valves and Steel Suppliers Pl Zimbabwe.

#### **1.5 Research Questions**

1. What are the factors affecting risk management measures in safeguarding inventories at Industrial Valves and Steel Suppliers pl Zimbabwe?
2. What determines the effectiveness of the internal control systems in safeguarding inventories at Industrial Valves and Steel Suppliers Pl Zimbabwe?
3. What are the Industrial Valves and Steel Suppliers pl Zimbabwe's exposure to risk as a result of slack risk internal controls in safeguarding inventories?
4. Which recommendations should be provided to Industrial Valves and Steel Suppliers pl Zimbabwe Management?
5. What kind of strategies can be taken to eliminate fraud and theft of Inventory at Industrial Valves and Steel Suppliers Pl Zimbabwe?

## 1.6 Significance of the study

- **The Organization**

Industrial Valves and Steel Suppliers (private) Limited Zimbabwe will benefit in terms of better performance due to effective risk management measures and internal control systems for safeguarding Inventory. The evaluation will assist the management in the true picture of the effectiveness of their internal control systems of safeguarding Inventory thereby strengthening those weak areas. This will reduce losses that were happening due to ineffective internal control systems of Inventory.

May enhance the reader's scope as it has assisted in exploring the causes of the ineffectiveness of systems in the Company that gave workers a chance to engage in fraud and theft of Inventory.

- **The Researcher**

The researcher has been exposed to the hands-on application of theory. This has been gained from the application of theory.

This has increased researcher insight into risk management measures and internal control systems.

The researcher's research skills have been enhanced.

- **The Community**

The benefit to Industrial Valves and Steel Suppliers (Pvt) Limited Zimbabwe has a direct effect on the community, better performance and effective Inventory internal control systems will also benefit the community. The success of the Entity would mean employment to the community.

- Educational institutions will also benefit from the research as they are going to use it for academic purposes.

## **1.7 Limitations of the Study**

**Inexperience:** The researcher has faced problems due to lack of experience in carrying out the research Dissertation. This was the researcher's first research Dissertation.

**Confidentiality:** The researcher encountered difficulties in getting some necessary information that is regarded as private and confidential to the organization. Not all information was released for the sake of protecting the Company.

**Limitations of Control Information:** The information gathered has been biased towards the basic control principles and policies.

**Limited Time:** The researcher is faced with limited time to carry out the research Dissertation as he is studying part-time. He is employed and spends nine hours of the day carrying out duties relating to his employment. Furthermore, the researcher is to attend to family business.

**Financial Resources:** The researcher is experiencing financial problems as he tries to meet the cost of tuition, printing, typing, and stationery.

Due to the Official Secrets Act Chapter 11; 09, some officials did not want to divulge pertinent information required by the researcher. However, a waiver was given as the information is going to be used for academic purposes and the improvement of the risk management measures and Internal controls System Safeguarding Inventory of the organization only.

## **1.8 Assumptions of the Study**

The research has been based on the following assumptions;

. The research methods used have been able to yield the expected results, which are adequate and required for the research,

. The researcher has received maximum cooperation from the management and staff of the Organization,

. The information provided was true and free from any bias;

. Internal controls and risk management remained the same over the period under study and were not changed during the dissertation.

### **1.9 Delimitations of the Study**

The research was carried out mainly at the Entity's head office and two of its branches in the Harare area only. The population size was 5 Branches.

The scope of the study was to evaluate the effectiveness of risk management measures towards safeguarding Inventory and internal control systems at Industrial Valves and Steel Suppliers (Pvt) Limited in Zimbabwe.

The research also focused on Industrial Valves and Steel Suppliers PL Zimbabwe's activities from 2018 to 2022.

### **1.10 Definition of Terms**

**Risk Management Measures:** These refer to the strategies and practices employed by an organization to identify, assess, and mitigate risks that could negatively impact its operations. As defined by Stoneburner et al. in "Risk Management Guide for Information Technology Systems" (NIST Special Publication 800-30), risk management in the context of inventory management involves processes to understand and manage the risk to the organization's information assets.

**Inventory Safeguarding:** This term encompasses all measures taken to protect inventory from loss, theft, or damage. As discussed by Ronald H. Ballou in "Business Logistics/Supply Chain



Management," inventory safeguarding includes physical security measures, accurate record-keeping, and regular audits.

**Internal Control Systems:** According to the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in their "Internal Control–Integrated Framework," these are processes implemented by an organization's board of directors, management, and other personnel designed to provide reasonable assurance regarding the achievement of objectives in effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations.

### **1.11 Organization of the Study**

The dissertation is organized into five chapters, each integral to the comprehensive analysis of risk management in inventory safeguarding at Industrial Valves and Steel Suppliers (Pvt) Limited, Zimbabwe. Chapter I introduces the study, setting the context and defining the research scope. Chapter II delves into an extensive literature review, examining existing scholarly work on risk management, inventory control, and internal controls, synthesizing theories and findings relevant to the study's focus. Chapter III outlines the research methodology, detailing the approaches for data collection and analysis. Chapter IV presents the research findings, offering a detailed examination and discussion in light of the reviewed literature and employed methodologies. Finally, Chapter V concludes the study, summarizing key insights, drawing conclusions, and proposing practical recommendations for effective risk management and inventory safeguarding, aiming to contribute both to the specific needs of Industrial Valves and Steel Suppliers and the broader field of risk management in inventory control.

## **1.12 Summary**

In summary, Chapter I introduces the research study, outlining the context, significance, and structure of the investigation into the risk management measures at Industrial Valves and Steel Suppliers (Pvt) Limited, Zimbabwe. The chapter lays a solid foundation for the subsequent chapters, which will delve into a detailed literature review, a thorough methodology, an analysis of findings, and finally, conclude with actionable recommendations. This comprehensive approach aims not only to address the specific challenges faced by Industrial Valves and Steel Suppliers but also to contribute to the broader understanding of risk management in inventory control. The upcoming chapter, Chapter II, will expand upon the existing literature and theoretical frameworks relevant to this study, setting the stage for a deep dive into the research methodology and analysis.

## **CHAPTER II**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

This section unearths the foundation and basics from literature that the study is founded on. The researcher looked at various theories which back the existing literature related to the study of the risk management measures towards safeguarding Inventory, a number of sources were used to gain an appreciation and deeper understanding of the theory related to area under study. The concepts of Risk and Internal control were explained in the chapter... From the literature the gaps in research were identified which this study covered. The chapter is split into four major sub sections which are the conceptual framework, theoretical framework, empirical literature, and the research gap. The reason behind literature review is to figure where the present research study fits within the literature currently existing, identify the gaps that do not make clear the present phenomenon in literature and finally present the study's point of departure.

#### **2.1 Conceptual Framework**

Internal control are mechanisms to prevent errors from entering the process or detecting errors. Management relies on internal control to make sure things don't get goofed up (Kenneman, 2004). Puttick (2001) adds that internal controls as a set of organizational policies and approved internal processes crafted by management of an organization to achieve management's primary objective of ensuring that the business operates flawless. The Financial Management Journal (2005), postulate Internal control represents an organization's plans, methods, and procedures used to meet its objectives of safeguarding Inventory and preventing and detecting errors, fraud, waste, abuse and mismanagement.

Ongeri (2010) stipulate organizations need five interrelated components of an Internal Control which control environment, risk assessment, control activities, Information and communication, and monitoring components.

##### **2.1.1 Control Environment**

The control environment influences the control consciousness of its people (Whittington & Peny, 2018). Control environment comprises of factors like integrity and ethical values of employees, competence of person performing assigned duties, audit committees, management operating style and organizational structure. The effectiveness of these factors depends on their interaction with internal and external auditors.

According to Aldridge and Colbert (2014) control environment reflects the attitude of management in regard to importance of internal controls in revenue generation. Effective internal control requires a strong control environment under which the components of systems are well implemented. According to Gray (2015) the essential components of an effective control environment include;

- ❖ Personnel integrity and ethical values.
- ❖ Dedication to staff competence and skill enhancement.
- ❖ Participation of Board Members and Board Committees.
- ❖ Positive influence of Management's commitment.
- ❖ Organizational structure that enables the management of the Entity.
- ❖ Authority and responsibility that is clearly defined.
- ❖ Effective policies and practices for human resources.

### **2.1.2 Risk Assessment**

According to Karagiorgos et al (2017) risk assessment refers to the assessment of factors that affect the possibility of objectives of the organization not being achieved. It is the process of identifying management relevant risks to the preparation of financial statements that would be presented fairly in conformity with general accepted accounting principal (GAAP). The purpose of risk assessment is to identify, analyse and manage risks that affect entity's objectives. The aim is to keep the firm's risk at an acceptable level. A firm should use its risk management systems to help assess potential opportunities and threats to its objectives. Internal control is about understanding and controlling risk as well as acting as a monitoring function.

Financiers (2014) state that it is the umbrella term for the process and methodology by which an entity board and management identify and analyze the various kinds of risk that might prevent an

Entity from realizing its budgetary objectives? Risk assessment is intended to assist in determining exactly what kinds of risks are present, how to manage those risks identified and what kinds of controls are needed to be established. Risks are not a static phenomenon but arise and change because of a number of factors, according to Alvin and Loebbecke (2017) are:

- A change in an Entity 's operating environment.
- A change in staffing, either through reassignments or new employees.
- A new or a revised information system.
- A change in an entity's growth pattern and / or rate.
- An introduction of new technology.
- An introduction of new or expanded business lines, products or activities.
- A merger or other corporate restructuring.
- A change in accounting requirements.

According to Alvin and Loebbecke (2017) the central theme of internal control is one to identify risks to the achievement of an organization's objectives and two to do what is necessary to manage those risks. Thus, setting goals and objectives is a precondition to internal controls. At the highest levels, goals and objectives should be presented in a strategic plan that includes a mission statement and broadly defined strategic initiatives. At the department level, goals, and objectives should support the organization's strategic plan. According to Alvin and Loebbecke (2017) states that Goals and objectives are classified in the following categories:

- ❖ operations objectives;
- ❖ financial reporting objectives and;
- ❖ Compliance objectives.

A clear set of goals and objectives is fundamental to the success of a department. There are certain activities which are significant to all departments: budgeting, purchasing goods and services, hiring employees, evaluating employees, accounting for vacation/sick leave, and safeguard property and equipment. Thus, all departments should have appropriate goals and objectives, policies and procedures, and internal controls for these activities.

According to Financiers (2014) risks in relation to the company's objectives and for ensuring that procedures exist for managing those risks. Given the ever-changing environment and regulatory context, entity's implement methods to identify, analyze and manage the risks, both internal and

external, with which may be confronted and which could reduce the likelihood of meeting business objectives.

- ❖ Risk identification the Company identifies the main identifiable risks, both internal and external, which could have an impact on the likelihood of it meeting the objectives it has fixed for entity. This identification process, which is on-going, should cover those risks which could have a significant impact on its situation.
- ❖ Risk analysis this involves taking into consideration the likelihood of the risks occurring and their potential seriousness, as well as considering the environment and existing control measures.
- ❖ Risk management procedures Executive Management or the Management Board, supported by a risk management function, if there is one, should define risk management procedures and measurers.

### **2.1.3 Information and Communication System**

Internal control requires that all information be identified, captured, and communicated in a form that enable people to carry out their financial reporting responsibilities (Aldridge and Colbert, 2014). Effective communication should see information flowing down across and up within all sections of the organization (Theofanis et al 2011). They are pervasive characteristics that affect all aspects of the internal control framework and Effective information dissemination enable people to carry out their responsibilities to run and control the organization. Internally communication should be multi directional within the organization. External communication relates to communication with governing boards and regulatory agencies.

Information and communication are essential; to affecting control; information about an organization's plans, control activities, and performance must be communicated up, down, and across the organization.

Capture and impart pertinent and timely information in a form that enables the board, management, and employees to carry out their responsibilities. Accounting systems are the methods and records that identify, assemble, analyze, classify, record, and report an entity transaction of inventory. Information and communication systems enable all personnel to understand their roles in the

control system, how their roles relate to others, and their accountability. Information systems produce reports on operations, finance, and compliance that enable management and the board to run the entity (Pickett 2011).

According to Pickett (2011) the following processes must be used to control the components of the accounting information production tool:

- ❖ The use of computerized accounting systems calls for a clear and formalized organizational structure, and measures to ensure the physical security of computer systems and data integrity;
- ❖ Information systems have been developed to meet requirements with regard to the security, reliability, availability and relevance of accounting and financial information;
- ❖ Overall information system organization and operations must be governed by specific rules on system access, validation of processing, cut-off procedures, record keeping and verification;
- ❖ Procedures and controls must be established for quality assurance and operational security, for maintenance and development (or parameterization) of accounting and risk management systems, along with other systems that provide data directly or indirectly to accounting and risk management systems;
- ❖ Critical information system controls must be established (preventing duplicate entries, thresholds for entries, limited access for critical transactions, automated reconciliations, etc.);
- ❖ The company must be capable of meeting the specific requirements of the tax authorities:
- ❖ Storage of data processed by computer applications that prepare accounting records or substantiate transactions recorded in the documents filed with the tax administration;
- ❖ Documentation: Data and file management rules implemented by computer programs that contribute to the determination of book income, taxable income and tax returns must be described;

In this case, management systems that contributes to the preparation and processing of published accounting and financial information. The in-house dissemination of relevant and reliable information, the awareness of which enables everyone to exercise their responsibilities. The company should employ processes which ensure that all relevant and reliable information is

communicated in a timely manner to all relevant players within the company, thereby enabling them to exercise their responsibilities (Financiers 2014).

#### **2.1.4 Control Activities**

Aikins (2017) define control activities as policies and procedures to ensure directives of the management are properly carried out. Policies and procedural guidelines normally assist in the proper execution of control activities.

Alvin and Loebbecke (2017) states Control activities are actions, supported by policies and procedures that, when carried out properly and in a timely manner, manage or reduce risks. Controls can be either preventive or detective (Millichamp 1996). Preventive controls attempt to deter or prevent undesirable events from occurring. They are proactive controls that help to prevent a loss. Examples of preventive controls are separation of duties, proper authorization, adequate documentation, and physical control over Inventory.

Detective controls, on the other hand, attempt to detect undesirable acts. They provide evidence that loss has occurred but do not prevent a loss from occurring. Examples of detective controls are reviews, variance analyses, reconciliation, physical inventories, and audits (Alderman and Tabor (1989).

Both types of controls are essential to an effective internal controls system. From a quality standpoint, preventive controls are essential because they proactive and emphasize quality. However, recitative controls play critical role providing evidence that the preventive controls are functioning and preventing losses.

Control activities include approvals, authorization, verifications, reconciliations, reviews of performance, security of Inventory, segregation of duties, and controls over information systems (Millichamp 1996).

According to Millichamp (1996) control activities are engaged in at various levels within the entity's organizational structure which include;

- ❖ **Operational Performance** - Control activities in this area include the review of risk in the actual financial performance compared against the budgeted forecasts. Any



significant variances are then analyzed to determine whether any specific entity activity should be revised.

- ❖ **Information Processing** - Control activities in this area include the verification of the accuracy and completeness of entity transactions to determine whether they had been properly authorized. Control activities in the information area are broadly measured through two approaches general controls and application controls. General controls are oversight over data center operations, including mainframes and servers, a system software procurement, maintenance and access. Application controls are the oversight for the programs that the entity utilizes to process and monitor transactions of inventory.
- ❖ **Physical Controls** - Control activities in this area generally refer to the physical
- ❖ **Segregation of Duties** - Control activities in this area refer to the assignment of the various duties involved in a transaction of inventory, or any entity activity, to different persons. This approach is intended to prevent an entity employee from being in a position to effect and conceal an irregular or illegal activity in the course of that person's normal duties.

In any event, control activities are determined in the light of the nature of the objectives with which controls are associated and are proportionate to the implications of each process. In this context, particular attention should be paid to the controls over the processes involved in designing and running information systems (Financiers 2014).

### **2.1.5 Monitoring and evaluation**

Theotanis et al (2011) describe monitoring as the process of assessing the quality of internal control structure overtime. Amuda and Inenga (2009) avers that monitoring of operations ensures effective functioning of internal control system. Monitoring can be achieved by regularly supervising and managing activities like monitoring of customers complaint and audit conducted directly by internal auditors. Evaluations ascertain whether components of internal control continue to function as designed and intended. Internal control deficiencies are communicated to management for corrective action.

According to Alderman and Tabor (1989) monitoring is the assessment of internal control performance over time; it is accomplished by ongoing monitoring activities and by separate evaluations of internal controls such as self-assessments, peer reviews, and internal audits

Self-assessment or monitoring is intended to provide an oversight function in assessing the performance of the entity's control systems. Entity directors and management constantly review internal controls for their proper functioning and for modifications to the internal control systems when deemed necessary. Self-assessment is only one approach to a basic review of these internal control activities; however, self-assessment cannot be the only approach of assessment of the effectiveness of an Entity's internal control systems. Internal and external audits provide a more independent approach to the assessment of the entity's internal control function. Supervisory examinations additionally provide another layer of assessment of these controls (Financiers 2014). The objectives of the monitoring processes for the accounting and financial reporting structure are to define and implement accounting policies and to manage resources and constraints in order to meet senior management objectives. Monitoring of the accounting and financial reporting structure is based on the principles and key analytical points discussed in detail below. This monitoring is the task of the Accounts and Financial Reporting Departments, as well as senior management (Financiers 2014).

These five components are linked together, thus forming an integrated system that can react dynamically to changing conditions. The internal control system is intertwined with the organizations operating activities, and is most effective when controls are built in to the organizations infrastructure, becoming part of the very essence of the organization (Grove 2016).

The purpose of monitoring is to determine whether internal controls is adequately designed and properly executed if all five internal control components are present and function as designed.

## **2.2 Theoretical Framework**

According to the Institute of Internal Auditors (2011) internal controls are defined as processes designed to provide reasonable assurance regarding the achievement of objectives. It is also defined as “any action taken by management, the board, and other parties to enhance risk management and increase the likelihood that established objectives and goals will be achieved”.

The internal control concept like other modern management frameworks emerged from classical theories that provide a foundation for modern thinking. Two key theories: systems theory and

management control theory, that have found wide recognition in creating deeper understanding of how formal organizations operate.

### **2.2.1 The systems Theory**

Systems theory is an interdisciplinary field which studies systems as a whole. Systems theory was founded by Ludwig von Bertalanffy, William Ross Ashby and others between the 1940s and the 1970s on principles from physics, biology and engineering and later was extended into other fields including organizational theory, management, psychotherapy and economics among others (Weinberg, 1975).

By systems, Bertalanffy means 'complexes of elements standing in interaction. The closed system is called closed if it neither takes in nor emits matter (only energy exchange is possible and taken into account). The system is called open if there is a continual input and output of both energy and matter in it. Also, Anthony (1964) added that all systems except the smallest have subsystems and all but the largest have supra systems, which are their environment. Each system or subsystem conceptualized as having a boundary. The boundary of a system is the component that separates the system from its environment and filters the inputs to and the output from the system. An organization is synonymous with interrelated units or sub systems that must work together to achieve its goal and deliver on mandate. The systems perspective holds that to fully comprehend the function of the entire system, the interrelationships among different components or individual units have to be understood. The internal control system covers all relevant areas of an entity and help in creating a properly organized and controlled unit. Internal control is all-inclusive activity in all areas of organizations operations. However, the most important thing is that internal control should also take into account the objectives and goals of the tasks in order to make as effective as possible (Vaclovas & Giriūnas, 2012). Synonymously, Controlling and safeguarding inventories is considered an organizational wide activity that requires every unit, department or section to participate. Each department or unit will have a unique set of responsibilities and tasks that may be viewed as independent while collectively contributing towards the overall inventory management goal. The systems theory has over time found extended application in management activities across all sectors. Systems theory has been applied to a wide variety of organizational and management issues including innovation (Shen et al 2009), information systems change (Lytinen and Newman, 2008) and supply chain management (Helou and Caddy, 2006). With the applications of the systems theory is a supply chain context (Helou

and Caddy, 2006) found out that it leads to a better understanding of the dynamics within supply chains and how they evolve over time significantly influencing its performance. Recently researchers have suggested that business in general benefits from leveraging a systems perspective in all its activities through the adoption of the systems approach (Atwater et al, 2008; Linden et al, 2007).

### **2.2.2 Management Control Theory**

Management control theory is a relatively young body of knowledge found in the management (Otley, 1994). The theory derives most of its foundation from the concept of Management control which incorporates a wide range of formal and informal approaches aimed at regulating the behaviour of members of an organization and to assure that resources are obtained and used effectively in the achievement of an organization's objectives (Anthony, 1965). It is viewed as a process from where managers influence other members of an organization to implement the organization's strategies (Anthony & Govindarajan, 1998). In their work Anthony & Govindarajan (1998) noted that management control is a process by which managers at all levels ensure that employees whom they supervise implement their intended strategies. A view from organizational performance perspective, management control can be seen as a distribution of means used by an organization to elicit the performance it needs and to check whether the levels of such performances are in accordance with organizational specifications (Etzioni, 1960).

A main assumption underlying the management control theory is the recognition that economic activities in formal organizations are organized and managers are required to coordinate work and subunits through systematic rules and procedures (Whitley, 1999). The main task of the management control system is to ensure that the work activities and subunits conformed to the top managers' objectives and to supply the information to enable the managerial hierarchy to correct any deviations from set plans.

### **2.3 Empirical Review**

Critical to successful adoption of internal control system is a clear understanding of its components in line with the unique operating environment on which it is implemented. According COSO (2000), there exist five areas that must be addressed by an internal controls system as critical components namely: The control environment concerned with assessing of current internal controls that exist; the risk assessment that determines critical risks to an organization; the control

activities required to test the strength of critical internal control activities; the information and communication supporting all relevant communication lines and monitoring and evaluating concerned with all issues pertaining to how internal controls are followed up. The same institution provides a narrow approach where internal control systems are classified as preventive (detect risks before they occur), detective (detect risks as they occur) and/or corrective (take corrective measures with risks after they have taken place).

Jackson and Stent (2007) on their side proposes a non-exhaustive list of internal control measures as key indicators on its components which includes: staff competency, segregation of duties, isolation of responsibility, access and authorization, comparisons reconciliations, and source document design. The consulting firm Ernst & Young (2003), in their advisory and assurance manual proposed that the internal control system should include any procedures used and relied on by management to prevent material misstatements, whether caused by error and fraud from occurring during transaction processing or detect and correct on a timely basis material misstatement that may occur in processing transactions.

### **2.3.1 To Assess the Factors affecting risk management measures are there effective in safe guarding inventories at Industrial Valves and Steel Suppliers pl Zimbabwe.**

The first step of a risk management measure control checklist is a review of the company's procurement process. The checklist should include a review of the authorization process for large business purchases, how the purchase order process is completed and how the invoices are paid when the goods are received by the company. The checklist is used to verify that no fraud or collusion is going on that allows employees to purchase personal items with company funds. Additionally, all inventory items purchased should be for legitimate business purposes (Collins, 2012).

Inventory storage facilities are an important part of the audit checklist. Auditors must physically review the storage facilities and determine how well the security features of the storage facilities protect the company from theft or spoilage. This part of the audit checklist may be more related to the operational procedures of the business rather than the financial procedures. Operational inventory audits also include a review of the inventory on hand in the storage facility, ensuring that what the company indicates as on-hand truly exists. Internal physical inventory documents are also included on the audit checklist to determine the inventory amount on-hand for tax purposes.

Auditors test these items to ensure that all physical inventory assets are accurately reported by the company (Collins, 2012).

### **2.3.2 To Determine the effectiveness of the internal control systems in safeguarding inventories at Industrial Valves and Steel Suppliers PI Zimbabwe.**

Stores control practice is a necessity if firms are to offer their customers a satisfactory service. Adequate levels of inventory must be available at any given point in time and can only be achieved if ordering, receiving, and record keeping functions are performed accurately and effectively. (Cooper, 2006). An effective system for inventories provides reasonable assurance regarding the achievement of a department's objectives especially with regard to lower inventory costs (Pillai 2010).

To have an effective system of internal stock control, the management should be able to determine the specific controls that are operating effectively through direct and ongoing monitoring of the functioning of controls (Jackson and Stent, 2007). Ernst & Young (2003) in their manual recommends that for effectiveness, systems of stock control should include strong prevent controls (either programmed or manual) in addition to detect controls. Overall, the role of inventory management as a tool to cut costs in the Small and Micro Enterprises (SME) received little attention of scholars and policy makers.

However, significant operational cost cuts can be achieved through efficient inventory management systems. Mazanai (2012) in his close look at the impact of Just in time systems on efficiency and quality of SMEs in South Africa noted that in overall, the role of inventory management as a tool of cut costing in the SME sector received little attention of scholars and policy makers. However, significant operational cost cuts can be achieved through efficient inventory management systems.

Ingram, (2012) in his article on examples of safeguarding inventory in small businesses contends that inventory can be one of the most valuable assets, making inventory security crucial in a wide range of industries.

Procurement control systems based on technology like just –in- time (JIT) purchasing technique provides safeguards as a side effect as they automatically replace inventory at optimum reorder points. By storing inventory in a central location until it is needed at a branch, or ordering inventory directly from suppliers to meet current needs, companies reduce the number of locations a thief

can steal from. Internal stores controls such as inventory audits count inventory on hand and compare it with internal inventory records, purchase records and sales records help to spot incidents of theft, spoilage or other forms of frauds. Internal audits act as a powerful psychological deterrent to internal theft. As per sentiments of Tosdal (2006), stock control process focuses on factors related to time utility, supply of quantity and quality materials used by the operations of any industry. Stock control procedures are risk management measures adopted to determine how much stock an establishment can hold at a given time and how they keep track of it (Bleigh, 2009). This practice covers stock at every stage of the production process, from purchases and delivery to using and reordering of items. This concept revolves on the fact that stores, being a service-oriented department, must provide the entire organization with the right materials that are delivered and issued in the right quantities and quality which must be available at the right time, right place and at the right price (Levis, 2009).

The objective of practicing inventory control is to ensure that the conditions mentioned above are fulfilled by providing the information necessary to take appropriate action at every stage of the production process or operation. Stock control practice is a necessity if any institution is to offer their guests a balanced assortment; this means every item held in the store should be controlled. Different institutions' establishments adopt different measures that best suits them, this provides up to date information and also reduce excesses to the nearest minimum (Cooper, 2006).

### **2.3.3 To establish the Company exposure to risk as a result of slack risk internal controls in safeguarding inventories.**

According to Noorvee (2006), control activities are manifested as policies and procedures that help to ensure management directives are carried out. They are critical to ensuring that necessary actions are taken to address risks necessary for the achievement of the organization's objectives. They include a range of activities as diverse as approvals, authorizations, verification, reconciliation, review of operating performance security of Inventory and segregation of duties. The role of employees in the entire stock management process cannot be however ignored. As the responsible faction and service-oriented department, procurement must provide the entire organization with the right materials and issued in the right quantities and quality at the right time, right place and at the right price (Levis, 2009).

Segregating employee duties is an important internal control system feature for inventory management, as well as any other valuable asset. Fagbulo (2009). Dividing specific duties between employees helps minimize risk and fraud, and maximize inventory and supply protection. For all inventory related activities authorizing, recording, custody and reconciliation must be core to any stock security (Geyer, 2011). Geyer further recommends that one employee should be in charge of and authorized to complete the ordering function. However, if a specific act exceeds preestablished levels, the practice manager or owner must intervene. When the ordered inventory arrives at the unit or storage area, a different staff member than the order placer should receive the inventory. This person should verify contents to assure complete order receipt. The receiver physically checks the items against the receiving document to ascertain everything is in order. Any damaged or expired goods should be immediately identified documented and the supplier notified (Geyer, 2011) To strengthen the inventory safeguarding processes, the people responsible for ordering and receiving inventory should not be the same as the individual who placed the order. If a single person performs all of these functions, theft risk is much higher and nearly impossible to uncover. Without the proper segregation of duties, the financial detriment to your practice can add up quickly. To that end, all inventory transactions should be supported by the proper documentation, such as approved purchase orders and invoices and delivery notes.

(Geyer, 2011) As pointed out by Levis (2009), desired levels of effectiveness can be accomplished through regular management and supervisory activities, monitoring adherence to policies and procedures, and other routine actions such as comparisons and reconciliations, supplemented by internal audit or other compliance functions that test, monitor, and evaluate the functioning of controls, or by various self-assessment programs. If management cannot identify current procedures that provide a basis for concluding the control operates effectively, it should develop procedures to test and evaluate the operating effectiveness of the controls (Ernest & Young, 2003). (Hayes, 1995&Synder et al, 1989). Doyle et al, 2007) support this fact by noting that better internal management control should yield more reliable internal data and information such as inventories, payables and performance measure, thus leading to better internal decision making, improved operations, and lower employee fraud.

Strong internal control system strengthens enterprise governance, allows management objectives to be achieved and mitigates the risk of fraud by increasing employee perception of detection (Ashbaugh-Skaife, 2008).



### **2.3.4 To provide recommendations to the Entity Management based on findings;**

Substantially, internal controls add value through improving the control and monitoring environment within organizations to detect fraud (Coram et al, 2006). The internal control system is vital to reasonable assurance regarding the company's capacity to achieve its objectives. Nevertheless, a function more independent and objective must be implemented in order to provide a satisfactory level of benefits to the organization.

### **2.3.5 To identify strategies that can be taken to eliminate fraud and Theft of Inventory at Industrial Valves and Steel Suppliers PI Zimbabwe.**

Cooper (1999) describes the responsibility for the prevention and detection of fraud and error rests with management through the implementation and continued operation of adequate accounting, risk management measures, and internal control systems. Such systems reduce but do not eliminate the possibility of fraud. According to (Alvin and Loebbecke (2017) some of the measures which can be put into place to prevent and detect fraud are:

- ❖ developing a code of conduct and taking action against breaches;
- ❖ establishing systems of risk management measures and internal control;
- ❖ establishing an internal audit function; and
- ❖ Having an audit committee.

Millichamp (1996) describe the auditor is not and cannot be held responsible for the prevention of fraud, theft and error. However, sound audit procedures will normally bring material regularities or fraud to light. Failure to apply sound audit procedures would put the auditor in jeopardy. When the audit procedures indicate the possible existence of fraud, theft, or error, the auditor should consider the potential effect on the financial statements. If the auditor believes that the indicated fraud, theft, or error could have a material effect on the financial statements, the auditor should perform appropriate modified or additional procedures. The auditor should communicate factual findings of fraud to management as soon as possible. It is appropriate for the auditor to report the matter to a level above that responsible for the persons believed to be implicated. If top management is involved, the auditor may approach the board or seek legal advice.

The auditor's duty of confidentiality would preclude the auditor from reporting fraud, theft, and error to third parties. However, in certain circumstances, the duty of confidentiality is over-ridden by statute, law or by courts of law. The auditor may need to seek legal advice in such circumstances taking into account the auditor's responsibility to the public interest. The auditor may consider withdrawing from the engagement if the entity refuses to take remedial action regarding the fraud. This normally happens when the fraud involves the highest authority in the entity (Alvin and Loebbecke 2017).

. Cooper (1999) state that the entity fraud is the use of potentially illegal means to obtain money, Inventory, or other property owned or held by a Company. In many instances, entity fraud is a criminal offence. While the specific elements of particular Company fraud laws vary depending on jurisdictions, the term entity fraud applies to actions that employ a scheme or artifice, as opposed to entity robbery or theft of inventory. For this reason, entity fraud is sometimes considered a white-collar crime.

According to Alvin and Loebbecke (2017) there are generally three requirements of fraud to occur- motivation, opportunity and personal characteristics. Motivation is usually situational pressure in the form of a need for money, personal satisfaction, or to alleviate a fear of failure. Opportunity is access to a situation where fraud can be perpetrated, such as weaknesses in internal controls, necessities of an operating environment, management styles and corporate culture. Personal characteristics include a willingness to commit fraud. Personal integrity and moral standards need not be “flexible” enough to justify the fraud, perhaps out of a need their children or pay for a family illness.

## **2.4 Research Gaps**

Internal control is undoubtedly the key necessity in all organization and especially for processes that are open to non-performance or large variations. Any comprehensive inventory risk measures and control system must start with the establishment of the needed products or services and end with the provision of the desired service or product in line with the original need. Studies and literature reviewed (Fagbulo (2009), Harrngton et al (1990), Jongh (2010), Kakucha (2009) have all pointed out the need to consider internal controls systems as a critical tool for organizations success. On the same front, there are serious challenges that come with the implementation of the systems (At wool, et al (2012), Rossi (2012) that must be addressed. At Industrial Valves, just like

any other Companies in Zimbabwe that have adopted internal control systems that are meant to address previous losses and inefficiencies in its procurement systems should carry out continuous evaluation to ascertain their progress and performance. Previous studies have centred on manufacturing firms while service centred organizations are equally affected by similar inventory predicaments.

## **2.5 Summary**

This chapter is a review of existing literature related to the study on the risk management measurers towards safeguarding Inventory, a number of sources were used to gain an appreciation and deeper understanding of the theory related to area under study. The concepts risk management measures and internal controls were explained in the chapter... From the literature the gaps in research were identified which this study covered. This chapter also covers theoretical literature review and the conceptual framework as well as the empirical. The next chapter is on research methodology.

## CHAPTER III

### RESEARCH METHODOLOGY

#### 3.0 Introduction

This chapter outlines and explains how the research was carried out, including the processes and techniques used to collect data, the research design, research tools, target population, sample size, and sampling techniques employed.

#### 3.1 Research Philosophy

The researcher will use a positivism approach as the research philosophy for this study. Positivism emphasizes the use of empirical evidence and objective observations to understand and explain phenomena (Saunders, 2016). By adopting a positivist research philosophy, the researcher aims to gather quantitative data about risk management measures and internal controls in order to draw evidence-based conclusions. This approach aligns with the researcher's intention to examine the relationships between variables and test theories related to safeguarding inventory at the entity (Saunders, 2016).

#### 3.2 Research Design

To achieve the objectives of this study, an exploratory research design will be employed. An exploratory study is particularly useful when the researcher seeks to clarify their understanding of an issue or problem (Saunders, 2016). By using an exploratory research design, the researcher can gather initial insights and generate hypotheses regarding risk management measures and their impact on inventory safeguarding (Saunders, 2016). This design will allow for flexibility in data collection and analysis, enabling the researcher to explore the research problem in-depth.

### **3.3 Research Method**

A mixed research method was utilized in this study, incorporating both quantitative and qualitative research methods. The quantitative research method examines the relationships between variables measured numerically and employs statistical and graphical techniques for analysis (Saunders et al., 2016). Qualitative research method was used alongside quantitative methods, as interviews were conducted to gather additional insights and perspectives on the risk management measures. This multi-method approach was chosen to provide a comprehensive understanding of the risk management measures implemented by Industrial Valves and Steel Suppliers (Private) Limited.

### **3.4 Research Strategy**

The study employed a case study research strategy, focusing on Industrial Valves and Steel Suppliers (Private) Limited. A case study approach allows for an in-depth examination of a specific entity or organization, providing rich and detailed insights into the research topic (Yin, 2018). By conducting a case study, the researcher aimed to gain a comprehensive understanding of the risk management measures implemented by the company to safeguard their inventory.

### **3.5 Population**

The target population for this study consisted of the employees of Industrial Valves and Steel Suppliers (Private) Limited involved in inventory management and risk management processes. The population size was approximately 195 individuals, including inventory managers, warehouse supervisors, risk managers, and other relevant personnel. The study focused on this specific population to gain insights directly related to the research objectives.

### **3.6 Sample Size Determination**

In this study, the research population consisted of 195 individuals. To determine an appropriate sample size for the research, the Krejcie and Morgan (1970) method was employed. Selecting an optimal sample size is crucial as it strikes a balance between representation and generalizability while considering practical constraints such as time, resources, and feasibility. The Krejcie and Morgan method is widely recognized and accepted for determining sample sizes in research studies.

By utilizing the Krejcie and Morgan method, the sample size was calculated based on the desired level of precision and confidence, as well as the characteristics of the population. This method takes into account the population size and allows for the selection of a representative subset that provides a reasonable level of accuracy and minimizes potential bias. By employing this method, the study aimed to balance the practical considerations of limited resources with the statistical requirements for reliable and valid inferential analysis.

The resulting sample size, determined using the Krejcie and Morgan method, was considered appropriate for achieving the research objectives and drawing meaningful conclusions from the collected data. Thus, the sample size in this study was justified based on established guidelines and the specific context of the research.

**Table 3. 1:** Table for determining samples size for a known population

Table for Determining Sample Size for a Given Population									
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	246
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	351
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	181	1200	291	6000	361
45	40	180	118	400	196	1300	297	7000	364
50	44	190	123	420	201	1400	302	8000	367
55	48	200	127	440	205	1500	306	9000	368
60	52	210	132	460	210	1600	310	10000	373
65	56	220	136	480	214	1700	313	15000	375
70	59	230	140	500	217	1800	317	20000	377
75	63	240	144	550	225	1900	320	30000	379
80	66	250	148	600	234	2000	322	40000	380
85	70	260	152	650	242	2200	327	50000	381
90	73	270	155	700	248	2400	331	75000	382
95	76	270	159	750	256	2600	335	100000	384

Note: "N" is population size  
"S" is sample size.

Source: Krejcie & Morgan, 1970

Source: Krejcie and Morgan. 1970

The table provided in Table 3.1, sourced from Krejcie and Morgan (1970), was used by the researcher to determine the sample size. By applying the interpolation formula, it was determined that a population size of 195 corresponds to an approximate sample size of 125. This approach was employed to ensure a suitable sample size for the study. The participants were chosen based on their expertise and involvement in inventory and risk management processes within the company.

### 3.7 Sampling Technique/Procedure

The researcher employed purposive sampling, a non-probability sampling technique, to select the participants for the study. Purposive sampling allowed for the selection of individuals who possessed the necessary knowledge and experience in inventory and risk management, ensuring that the data collected would be relevant and informative for the research objectives.

### **3.8 Data Gathering Instruments**

The study utilized questionnaires and semi-structured interviews as data collection instruments.

#### **3.8.1 Questionnaires**

The questionnaires were designed to gather quantitative data regarding the risk management measures implemented by Industrial Valves and Steel Suppliers (Private) Limited. The questionnaires consisted of closed-ended questions and rating scales to assess the effectiveness of the risk management measures and the level of satisfaction among the employees. The questionnaires were distributed to the selected participants, who were given clear instructions on how to complete them accurately.

#### **3.8.2 Interviews**

Semi-structured interviews were conducted with selected participants to gather qualitative data. An interview guide consisting of open-ended questions was developed to explore in-depth insights and perspectives on the risk management measures. The interviews were conducted in a conversational manner, allowing participants to provide detailed explanations and examples related to the research topic. The interviews were audio-recorded with the participants' consent to ensure accurate capturing of responses for later transcription and analysis.

### **3.9 Data Collection Procedure**

The data collection process involved several steps. First, the questionnaires were distributed to the selected participants, along with clear instructions on how to complete them accurately. The participants were given a specified period to complete and return the questionnaires.

Following the questionnaire phase, face-to-face interviews were conducted with the selected participants. The interviews were scheduled at a mutually convenient time and location. The



interviewees were informed about the purpose of the study and their rights to privacy and confidentiality. Informed consent was obtained from each participant before the interviews began. The interviews were audio-recorded and later transcribed for data analysis.

### **3.10 Primary Sources of Data**

The primary sources of data for this study were the completed questionnaires and the recorded interviews. The questionnaires provided quantitative data regarding the effectiveness of the risk management measures implemented by Industrial Valves and Steel Suppliers (Private) Limited. The interviews generated qualitative data, offering in-depth insights and perspectives on the risk management practices employed by the company. These primary sources of data formed the basis for the analysis and interpretation of the research findings.

### **3.11 Secondary Sources of Data**

Secondary sources of data were also utilized in this study to provide background information on risk management measures and best practices in the industry. These secondary sources included academic journals, industry reports, relevant books, and online resources. The secondary data helped to support and contextualize the primary data collected in this study, contributing to a comprehensive understanding of the research topic.

### **3.12 Ethical Considerations**

Ethical considerations were carefully addressed throughout the research process. Informed consent was obtained from all participants before data collection, ensuring they were aware of the purpose of the study, their rights to privacy, and their voluntary participation. Participants were assured that their identities would remain confidential, and any identifying information would be anonymized in reporting the findings.

Data security measures were implemented to protect the confidentiality and integrity of the collected data. The research adhered to ethical guidelines and regulations, ensuring no harm or discomfort was inflicted upon the participants during the research process.

### **3.13 Data Analysis**

Data analysis was performed using both quantitative and qualitative techniques. The quantitative data obtained from the questionnaires were analyzed using statistical software, such as SPSS, to generate descriptive statistics, frequency distributions, and correlation analyses. The qualitative data from the interviews were transcribed and analyzed thematically, identifying patterns, themes, and trends within the data.

The integration of quantitative and qualitative data allowed for a comprehensive analysis, providing a deeper understanding of the risk management measures implemented by Industrial Valves and Steel Suppliers (Private) Limited.

### **3.14 Summary**

This chapter presented the research methodology employed in this study, focusing on risk management measures implemented by Industrial Valves and Steel Suppliers (Private) Limited to safeguard their inventory. It discussed the research philosophy, design, method, strategy, and data collection instruments. The target population, sample size determination, and sampling technique were outlined. The data collection procedure, including the distribution of questionnaires and conducting of interviews, was described. The primary and secondary sources of data were identified, and ethical considerations in data collection were addressed. Finally, the data analysis techniques, including both quantitative and qualitative methods, were explained.

The next chapter will present the findings of the study and discuss the results in relation to the research objectives.

## CHAPTER IV

### DATA PRESENTATION, ANALYSIS AND INTERPRETATION

#### 4.0 Introduction

The main objective of this chapter was to present the data collected by the researcher, incorporating both qualitative and quantitative methods. To ensure a clear and comprehensive presentation of the data related to the examination of risk management measures for safeguarding inventory at Industrial Valves and Steel Suppliers Private Limited Zimbabwe, the chapter utilized charts, tables, and graphs created using Microsoft Excel. These visual aids were employed to enhance the clarity and understanding of the data.

In conducting statistical data analysis, the researcher utilized Microsoft Excel for data processing and analysis. Descriptive statistics were used to summarize the collected data.

The chapter is divided into two distinct sections. The first section provides bibliographical information, contextualizing the study within the existing literature. The second section presents the findings of the study in alignment with the objectives outlined in the initial chapter. Additionally, the chapter includes charts that are presented in Section A, which further enhance the visual representation of the data.

It is important to note that all the data presented in this chapter is based on an examination of risk management measures for safeguarding inventory at Industrial Valves and Steel Suppliers Private Limited Zimbabwe. The chapter serves as a crucial component of the research, providing valuable insights and analysis in relation to the chosen objectives and research questions.

#### 4.1 Questionnaire response rate

Yin (2014) has expressed that response rate is the percentage of people who respond to a survey. Malhotra (2010) in the same respect has alluded that response rate also known as the completion

rate or return rate is the number of people who answered the survey divided by the number of people in the sample. He further added that it is usually expressed in the form of a percentage.

**Table 4. 1: Questionnaire response rate**

Questionnaire distributed	Questionnaire returned	Questionnaire useable	Response rate
125	125	110	88%

**Source:** Research data (2023)

$$\begin{aligned}
 \text{Response Rate} &= \frac{\text{Absolute frequency} \times 100\%}{\text{Targeted response}} \\
 &= \frac{110 \times 100\%}{125} \\
 &= \mathbf{88\%}
 \end{aligned}$$

The response rate for the distributed questionnaires is illustrated in Table 4.1, indicating a high level of participation. Out of the 125 questionnaires distributed, 110 were completed and returned, resulting in a response rate of 88%. According to Healey (1991), response rates ranging from 75% to 95% are generally considered acceptable for research purposes. He suggests that a 5% margin of error should be taken into account when evaluating response rates. In this study, the response rate exceeded the recommended minimum threshold, demonstrating a significantly high level of engagement from the participants. Therefore, the researcher concluded that the response rate was sufficient to proceed with the research.

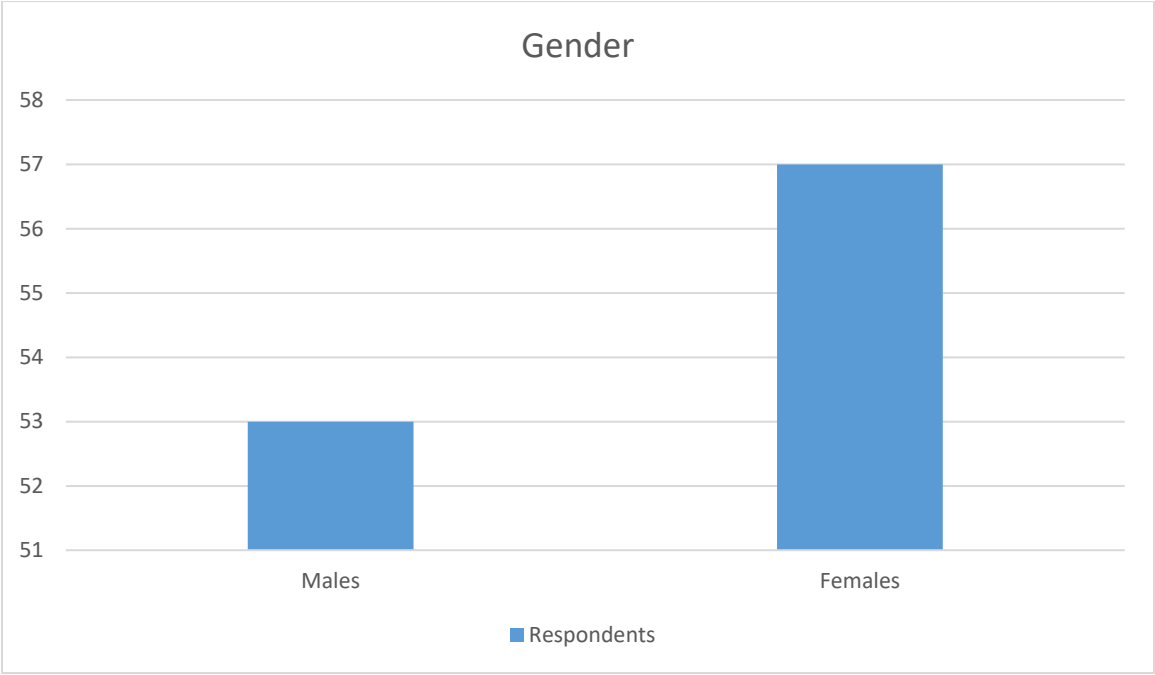
#### **4.2 Demographics of Questionnaires Respondents**

This section presents an overview of the demographics of the respondents who completed the

questionnaires. This section provides background information on various aspects including gender, age, marital status, educational level, category of respondent, legal form of business, and length of time in business. The questionnaire included two sections, namely Section I: Personal Information and Section II: Business Information, which contained questions related to the demographics of the participants.

### 4.2.1 Respondents' gender

The questionnaire issues to the respondents sought data regarding their status in terms of gender. This is presented below on a bar chart figure 4.2 below;



**Fig 4. 1: Respondents' Gender.**

**Source:** Research data (2023)

The bar chart presented in Fig 4.1 above illustrates the distribution of respondents based on gender. Out of the total of 110 respondents, 53 were identified as males, while 57 were identified as females. The data clearly indicates a higher number of female respondents compared to males. This difference in gender distribution can potentially be attributed to the government's policy

aimed at promoting women empowerment in Zimbabwe through increased employment opportunities. It is likely that the higher representation of women in the respondent pool is a result of efforts to allocate more jobs to women. Such initiatives seek to address gender imbalances in the workforce and support the overall goal of empowering women in the country.

#### 4.2.2 Respondents’ age

It was also worthy for the researcher draw ages of the respondents which are presented below on Table 4.2.

**Table 4. 2 Respondents’ age**

Age	Frequency	Percent	Valid Percent	Cumulative Percent
<25 years	16	15.0	15.0	15.0
26 – 35 years	28	25.0	25.0	40.0
36 – 45 years	50	45.0	45.0	85.0
46 years and above	16	15.0	15.0	100.0
Total	110	100.0	100.0	

**Source:** Research data (2023)

Table 4.2 above is a presentation of the ages of respondents on which copies of the questionnaire were disbursed. It is shown on the table that ages were grouped into 4 categories on which <25 years constituted 16 respondents representing 15%, 26- 35 years category had 28 respondents making up 25%, 36- 45 had 50 making up 45% and 46 years above category had 16 which constituted 15% of respondents. Therefore, the indication is that data was through questionnaire was collected from the majority of respondents who were within the ages of 36- 45 years which may also suggest that they had longer working experience.

### 4.2.3 Educational Qualifications of Respondents

The respondents were asked to indicate their level of education, with the following categories provided, ‘O’ Level, ‘A’ Level, Diploma, Degree and Other Specify. Findings were as presented in Table 4.3 below

### 4.1.6 Respondents’ qualifications

**Table 4. 3 Respondents’ qualifications**

Qualification	Frequency	Percent	Valid Percent	Cumulative Percent
Master’s degree	22	20.0	20.0	20.0
Honours degree	61	55.0	55.0	75.0
Diploma	16	15.0	15.0	90.0
Tertiary certificate other	11	10.0	10.0	100.0
Total	110	100.0	100.0	

**Source:** Research data (2023)

The above table 4.3 provides a presentation of respondents’ highest levels of qualifications as the researcher aimed to figure out if she could have engaged participants with preferred qualifications for the research. The table shows that 22 respondents has Master’s degrees, 61 possessed honours degrees, 16 were in possession of diplomas and 11 had tertiary certificates. This is an indications that all the respondents who participated in this research on data collection through the questionnaire were all qualified and the majority had honours degrees. It also shows that data for the research was collected from people who had expert knowledge regarding the researched subject therefore provision of reliable and accurate information for the validity of the research.



#### 4.2.4 Respondents' working experience

It was also crucial for the researcher to establish the respective working experiences of the respondents from which data was collected and this information is presented below on table 4.4;

**Table 4. 4 Respondents working experience**

Experience	Frequency	Percent	Valid Percent	Cumulative Percent
1-3 years	16	15.0	15.0	15.0
4-6 years	33	30.0	30.0	45.0
7-10years	61	55.0	55.0	100.0
10 and above				
Total	110	100.0	100.0	

**Source:** Research data (2023)

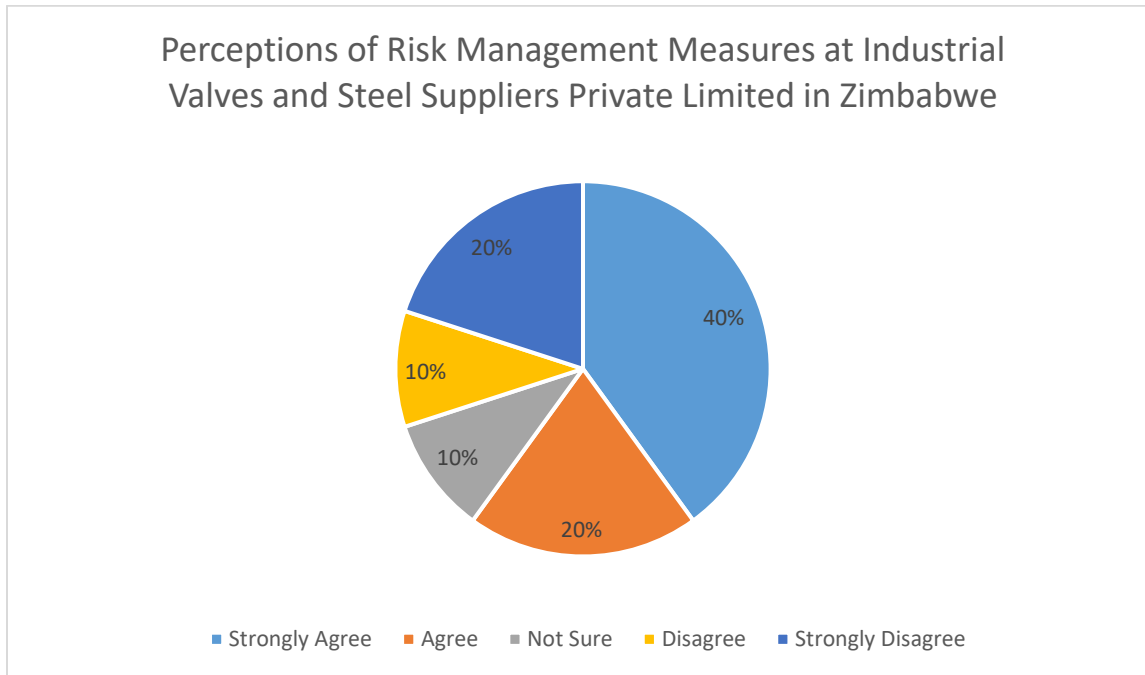
The table 4.4 above shows that 16 respondents had working experience which ranged from the period 1- 3 years, 33 had experience between 4- 6 years and 61 had 7 years and above of working experience. This working respondents' experience distribution reflects that a greater number of respondents from which data for the research was collected had a long experience of working within Industrial Valves and Steel Suppliers Private Limited in Zimbabwe therefore data was collected from people who had experience of inventory issues at the company. This is an indication of the research having been associated with accurate information from respondents therefore validity and reliability of data.

#### 4.3 Presentation of Results

Data presented in this segment is based on the research questions that were raised in the first chapter of the study. This means that data was collected according to each of the objectives of the

study.

### Perceptions of Risk Management Measures at Industrial Valves and Steel Suppliers Private Limited in Zimbabwe



**Fig 4. 2: Perceptions of Risk Management Measures at Industrial Valves and Steel Suppliers Private Limited in Zimbabwe.**

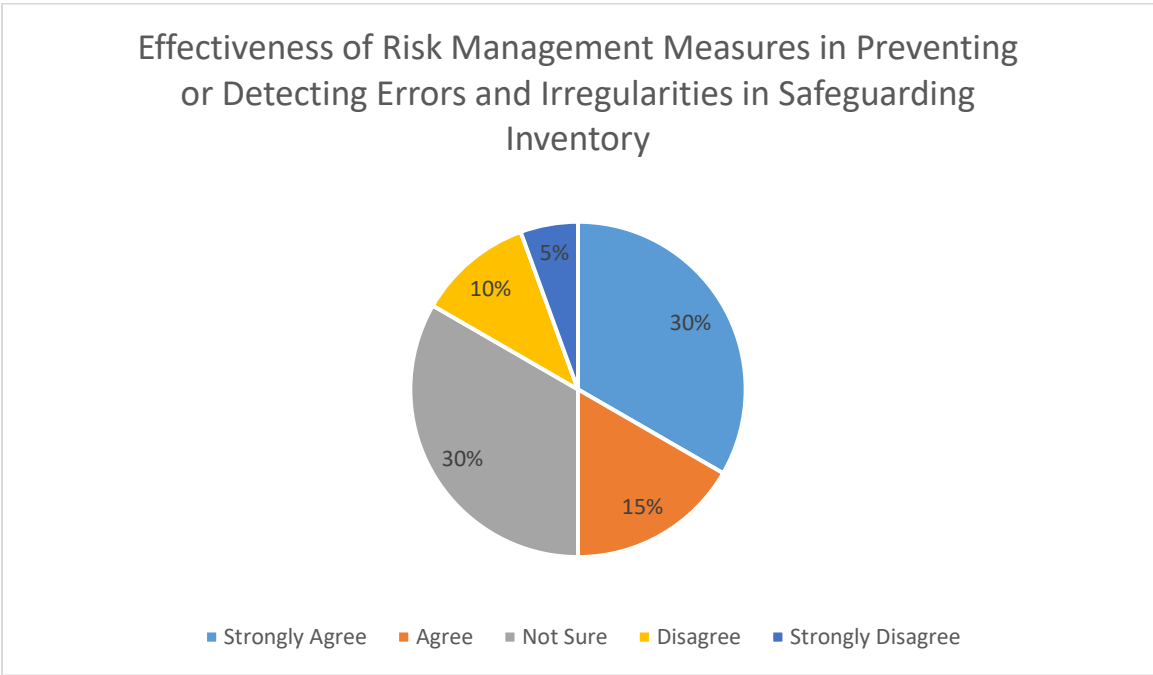
**Source:** Research data (2023)

According to the research findings in Fig 4.2 above, the majority of respondents strongly agreed or agreed that Industrial Valves and Steel Suppliers Private Limited in Zimbabwe has risk management measures/systems in place to safeguard inventory. A significant proportion of respondents (60%) indicated their agreement, while a smaller percentage (10%) were unsure about the existence of such measures. Only a minority of respondents (30%) expressed disagreement or strong disagreement with the statement.

This finding suggests that there is a positive perception among respondents regarding the presence of risk management measures at Industrial Valves and Steel Suppliers Private Limited. The

company's efforts in implementing these measures are likely to contribute to the protection and security of their inventory. However, it is important for the company to address the concerns of those who are unsure or disagreed, possibly through communication and transparency regarding their risk management practices.

**Effectiveness of Risk Management Measures in Preventing or Detecting Errors and Irregularities in Safeguarding Inventory**



**Fig 4. 3: Effectiveness of Risk Management Measures in Preventing or Detecting Errors and Irregularities in Safeguarding Inventory.**

Source: Research data (2023)

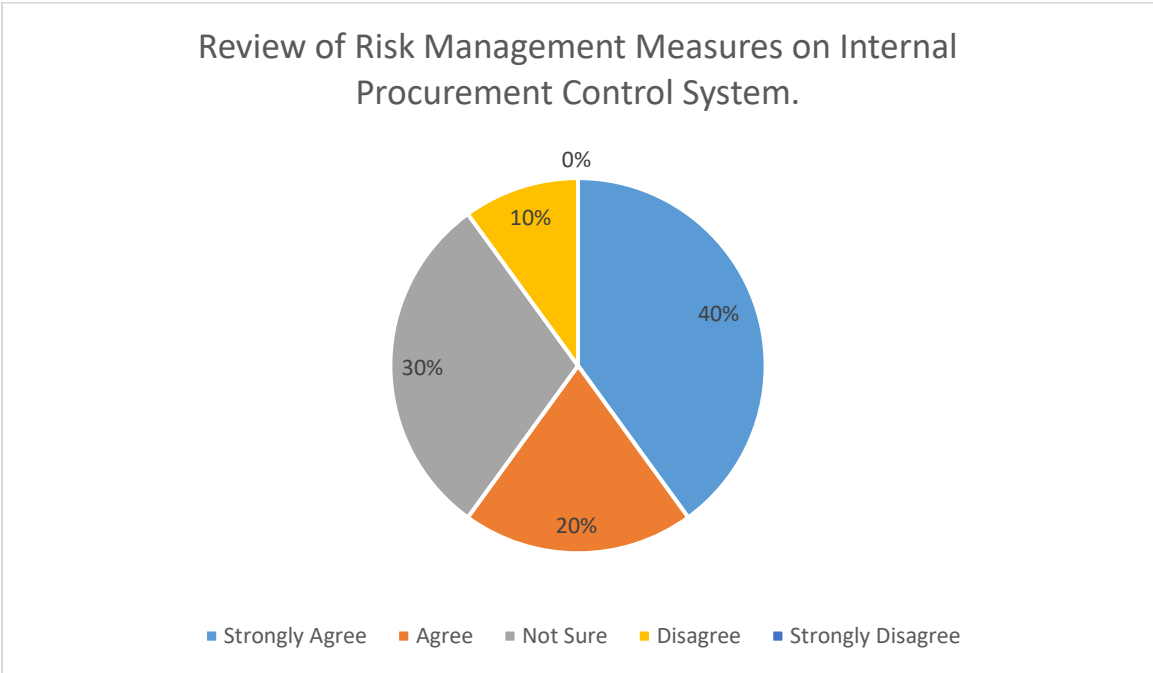
The research findings in Fig 4.3 above shows that 45% of the respondents strongly agreed or agreed that the risk management measures implemented by Industrial Valves and Steel Suppliers Private Limited Zimbabwe effectively prevent or detect significant errors or irregularities in safeguarding inventory. This indicates a positive perception among a substantial portion of the respondents regarding the effectiveness of the company's risk management practices.

30% of the respondents expressed uncertainty or were unsure about the impact of the risk management measures in preventing or detecting errors and irregularities in inventory safeguarding. This suggests a need for further clarity or communication regarding the specific risk management measures in place at the company.

25% of the respondents disagreed or strongly disagreed with the statement, indicating a perception that the current risk management measures are not effective in preventing or detecting significant errors or irregularities in safeguarding inventory. This highlights a concern among a minority of respondents regarding the adequacy of the company's risk management practices.

The findings suggest an overall positive perception of the effectiveness of risk management measures in preventing or detecting errors and irregularities in safeguarding inventory at Industrial Valves and Steel Suppliers Private Limited Zimbabwe. However, it is crucial for the company to address the concerns of those who expressed uncertainty or disagreement. This could be achieved through enhanced communication, training, or a review of the existing risk management framework to ensure continuous improvement and mitigate potential risks effectively

**Review of Risk Management Measures on Internal Procurement Control System**

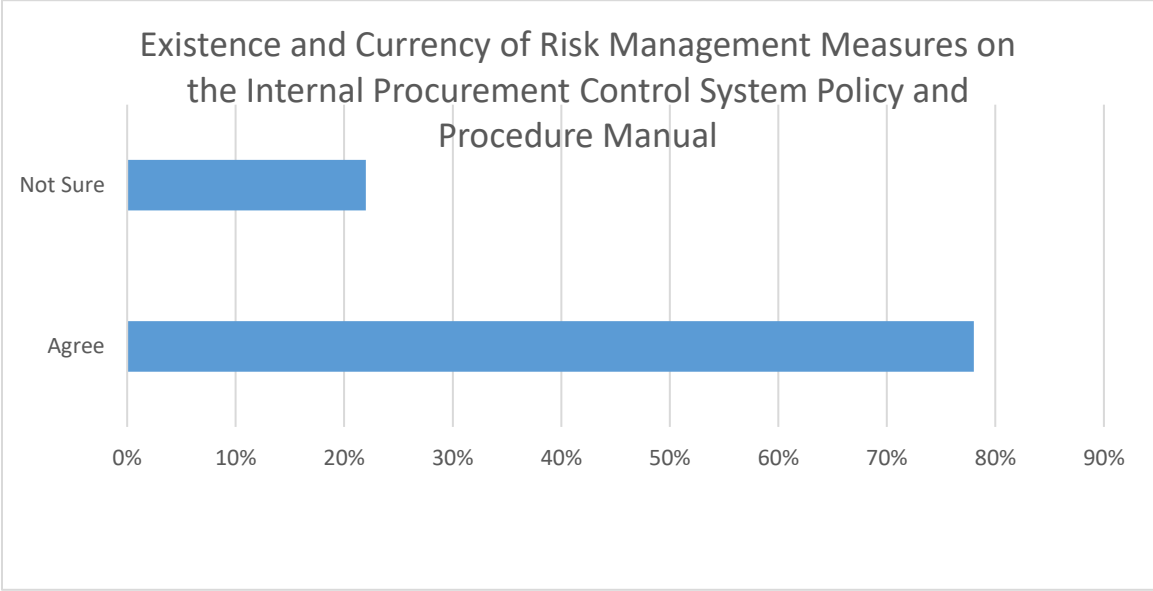


**Fig 4. 4: Review of Risk Management Measures on Internal Procurement Control System.**

**Source:** Research data (2023)

According to the research findings in Fig 4.4 above, a majority of respondents (60%) strongly agreed or agreed that the entity consistently evaluates risk management measures in the internal procurement control system to safeguard inventory. This indicates a positive perception of the company's commitment to continuously assessing and enhancing risk management practices in procurement. However, a significant number of respondents (30%) were unsure or expressed uncertainty about the review of risk management measures on the internal procurement control system. This suggests a need for clearer communication or documentation of the company's review processes to enhance understanding and transparency. Additionally, a smaller portion of respondents (10%) disagreed or strongly disagreed with the evaluation of risk management measures, indicating a potential lack of confidence in the company's efforts.

**Existence and Currency of Risk Management Measures on the Internal Procurement Control System Policy and Procedure Manual**

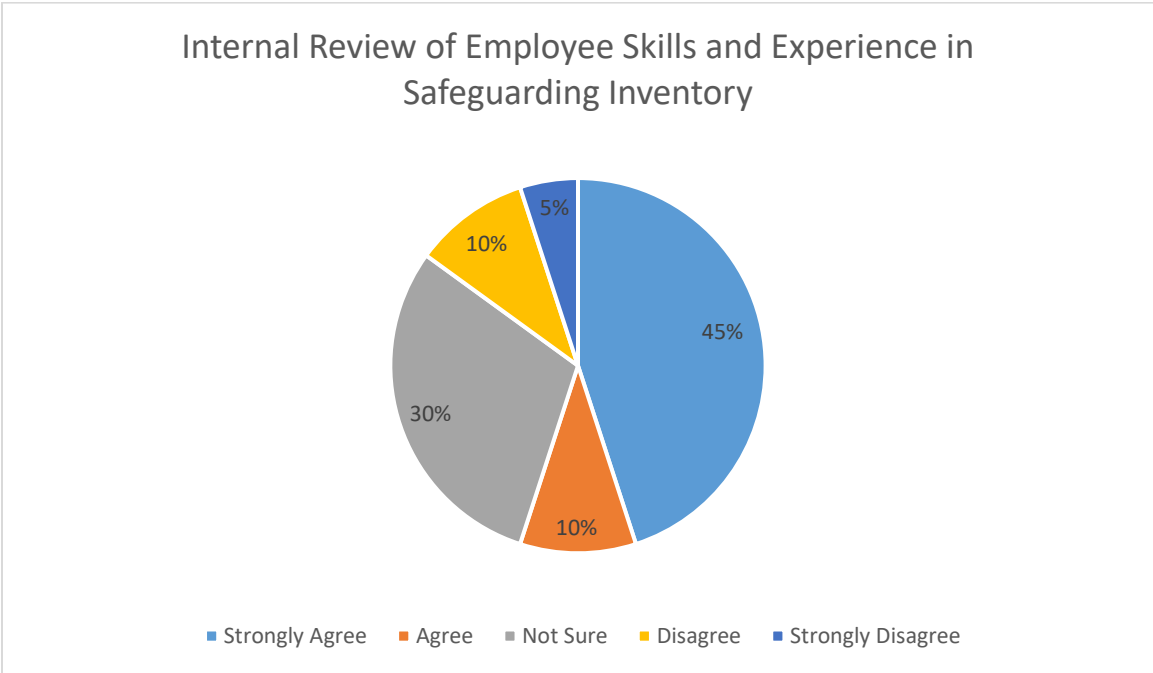


**Fig 4. 5: Existence and Currency of Risk Management Measures on the Internal Procurement Control System Policy and Procedure Manual**

**Source:** Research data (2023)

According to the research findings in Fig 4.5 above, the majority of respondents (78%) acknowledged the presence of effective and up-to-date risk management measures in the internal procurement control system policy and procedure manual. This reflects the company's efforts to establish comprehensive guidelines for managing procurement-related risks. On the other hand, a portion of respondents (22%) expressed uncertainty or were unsure about the existence and currency of these measures. This indicates a need for improved communication and documentation to ensure that employees have a clear understanding of the current risk management guidelines.

**Internal Review of Employee Skills and Experience in Safeguarding Inventory:**

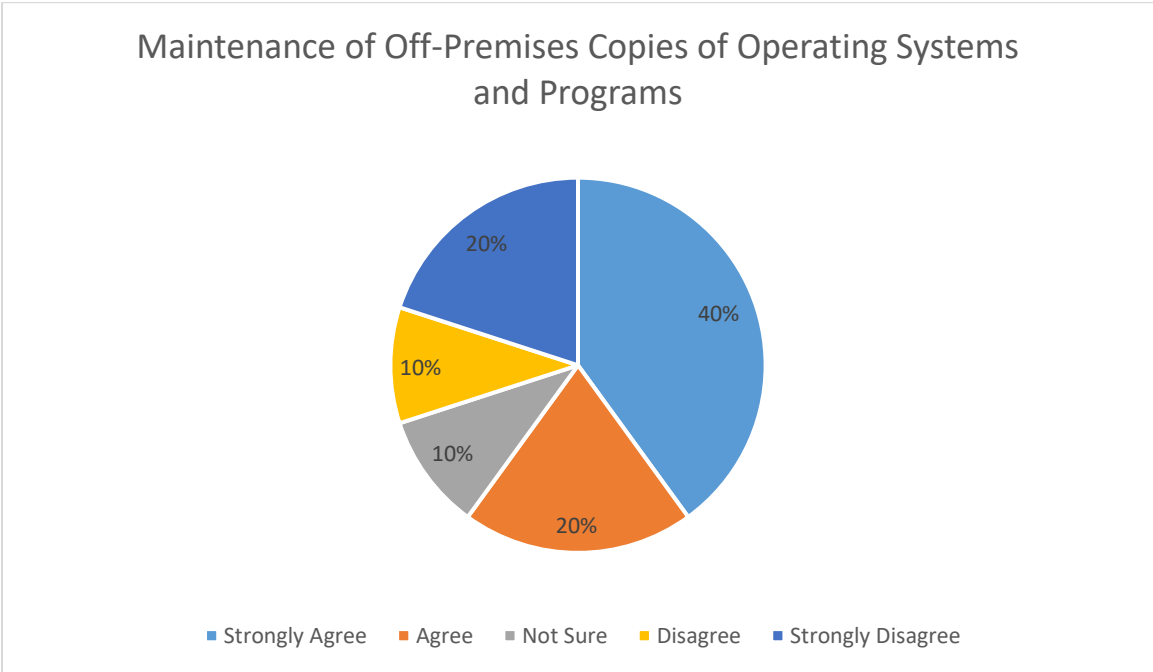


**Fig 4. 6: Internal Review of Employee Skills and Experience in Safeguarding Inventory.**

**Source:** Research data (2023)

The research findings in Fig 4.6 above, reveals that a significant number of respondents (55%) confirmed the existence of an internal review process to evaluate employee skills and experience in safeguarding inventory. This highlights the company's recognition of the importance of assessing and enhancing employee competencies in managing inventory-related risks. However, a notable portion of respondents (30%) expressed uncertainty or were unsure about the internal review process. To address this, the company should provide clearer communication and documentation regarding the processes involved in assessing employee skills and experience related to inventory protection. Additionally, a smaller percentage of respondents (15%) disagreed or strongly disagreed with the existence of an internal review process, suggesting a potential need for further improvement or clarification.

**Maintenance of Off-Premises Copies of Operating Systems and Programs**



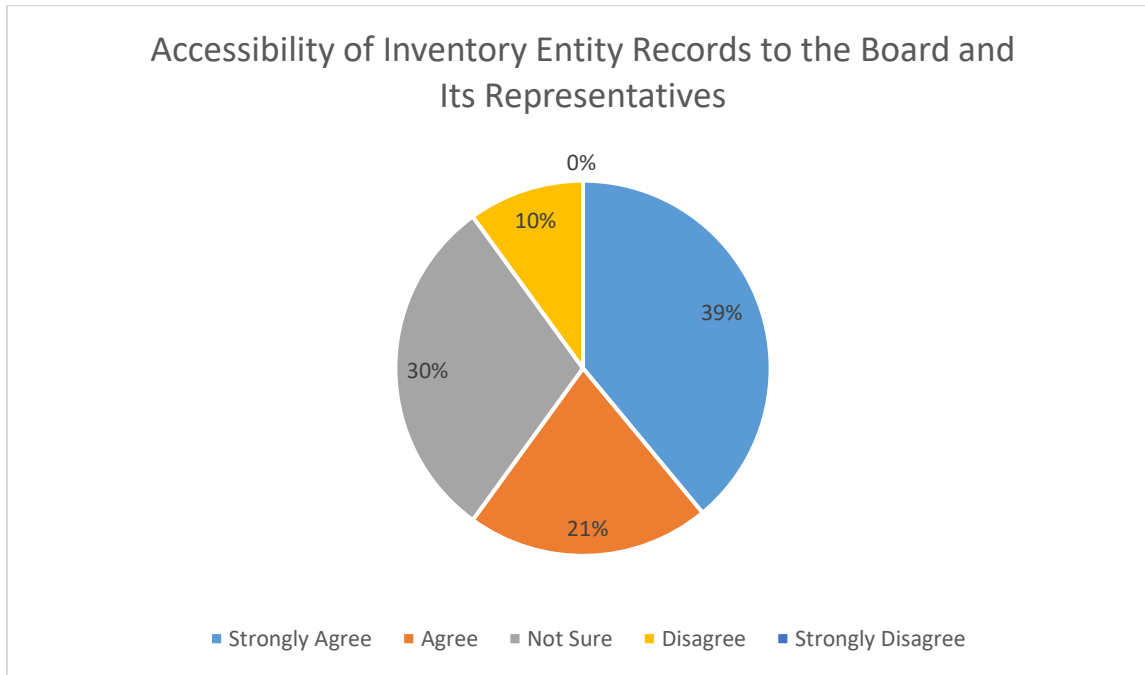
**Fig 4. 7: Maintenance of Off-Premises Copies of Operating Systems and Programs.**

**Source:** Research data (2023)

According to the research findings in Fig 4.7 above, a majority of respondents (70%) reported that the company maintains current or duplicate off-premises copies of operating systems and programs associated with inventory records. This demonstrates the company's commitment to data backup and protection against potential on-site risks. In contrast, a portion of respondents (20%) expressed uncertainty or were unsure about the maintenance of off-premises copies. To alleviate this uncertainty, the company should improve communication and provide clearer information about the backup process and the accessibility of off-premises data. Furthermore, a smaller percentage of respondents (10%) disagreed or strongly disagreed with the maintenance of off-premises copies, indicating a potential need for addressing concerns related to data security and backup strategies.



### Accessibility of Inventory Entity Records to the Board and Its Representatives

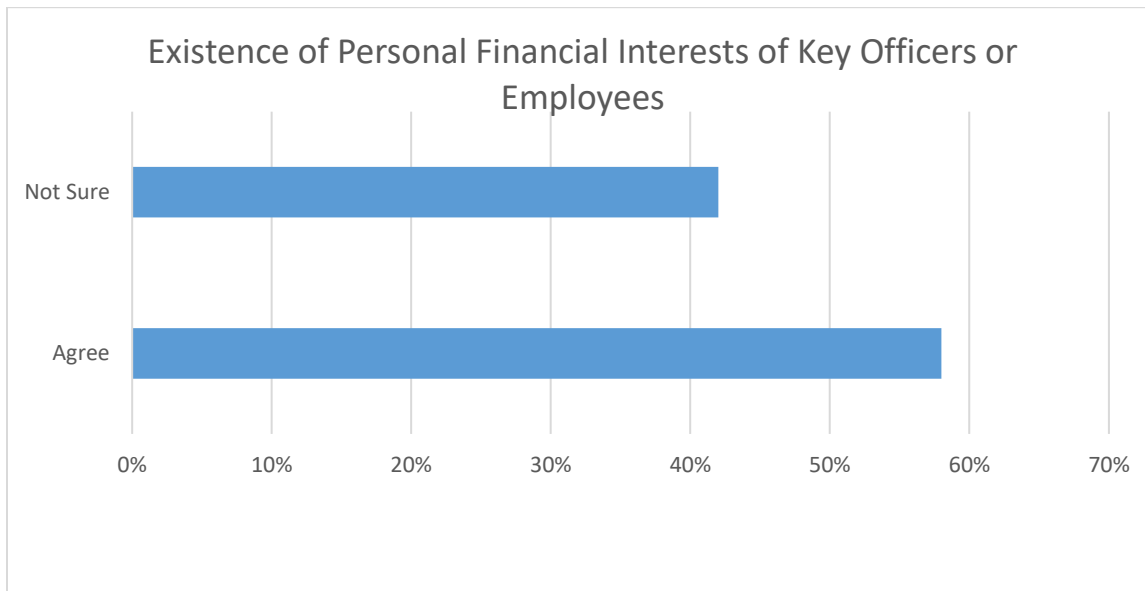


**Fig 4. 8: Review of Risk Management Measures on Internal Procurement Control System.**

**Source:** Research data (2023)

According to the research findings in Fig 4.8 above, the majority of respondents (60%) believe that the board and its representatives have complete access to inventory entity records. This fosters transparency and oversight within the company, enabling effective monitoring of inventory-related activities. However, a significant number of respondents (30%) expressed uncertainty or were unsure about the accessibility of these records. To address this, the company should establish clear protocols, improve communication channels, and provide comprehensive guidelines to ensure appropriate and timely access to inventory records. Additionally, a smaller percentage of respondents (10%) disagreed or strongly disagreed with the accessibility of inventory entity records, suggesting a need for further clarification or potential concerns regarding information sharing and transparency.

### Existence of Personal Financial Interests of Key Officers or Employees

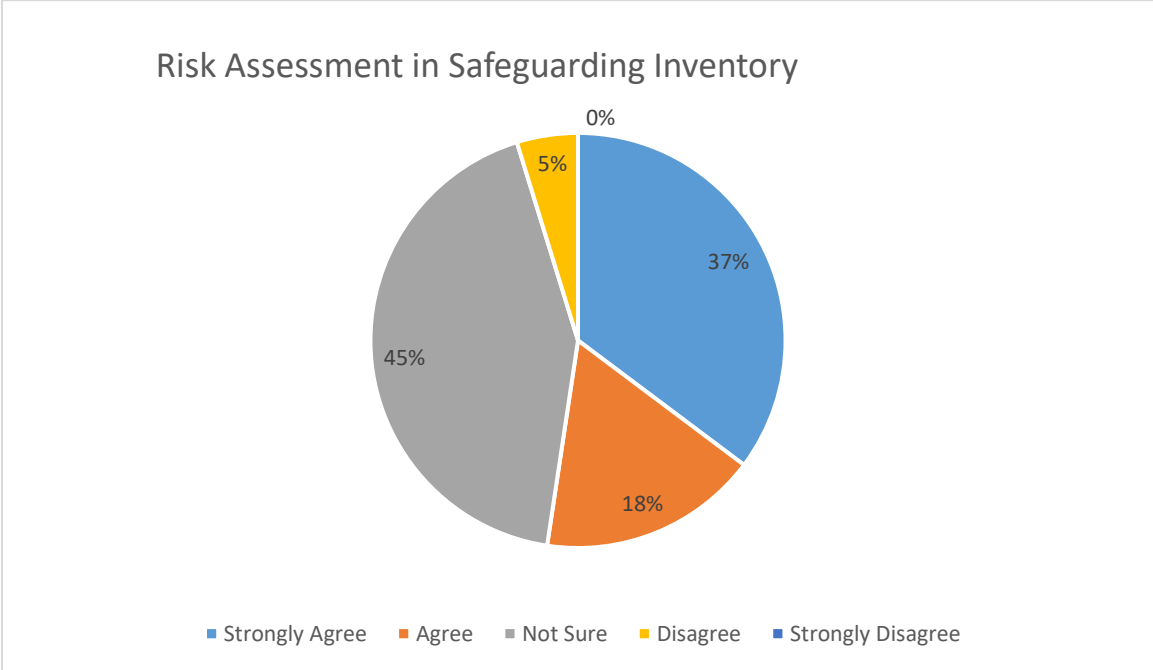


**Fig 4. 9 Existence of Personal Financial Interests of Key Officers or Employees Source: Research data (2023)**

The findings in fig 4.9 above reveals that, a significant number of respondents (58%) acknowledged the existence of circumstances where the personal financial interest of key officers or employees depends directly on the company's financial condition. This highlights the need for robust policies and procedures to prevent conflicts of interest and ensure the integrity of inventory-related decisions.

Conversely, some respondents (42%) expressed uncertainty or were unsure about the existence of such circumstances. To address this uncertainty, the company should develop clear policies and procedures addressing conflicts of interest, accompanied by effective communication and training programs.

### Risk Assessment in Safeguarding Inventory

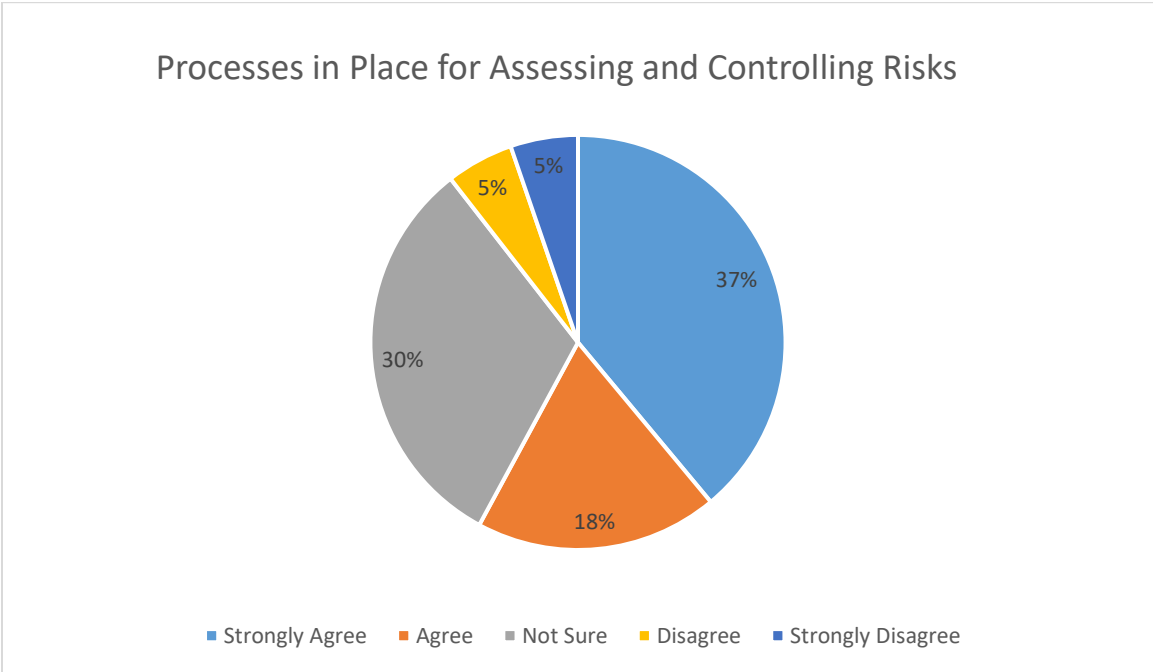


**Fig 4. 10 Risk Assessment in Safeguarding Inventory.**

**Source:** Research data (2023)

The finding presented in fig 4.10 above shows that a majority of respondents (60%) believe that the company conducts regular risk assessments in safeguarding inventory. This indicates a proactive approach to identifying and addressing potential risks related to inventory protection. On the other hand, a notable portion of respondents (40%) expressed uncertainty or were unsure about the company's risk assessment practices. By improving communication channels and providing comprehensive information on the risk assessment process, the company can strengthen employees' confidence in its risk management efforts. Additionally, a smaller percentage of respondents (10%) disagreed or strongly disagreed with the regularity of risk assessments, suggesting a potential need for further improvement or clarification.

**Processes in Place for Assessing and Controlling Risks**

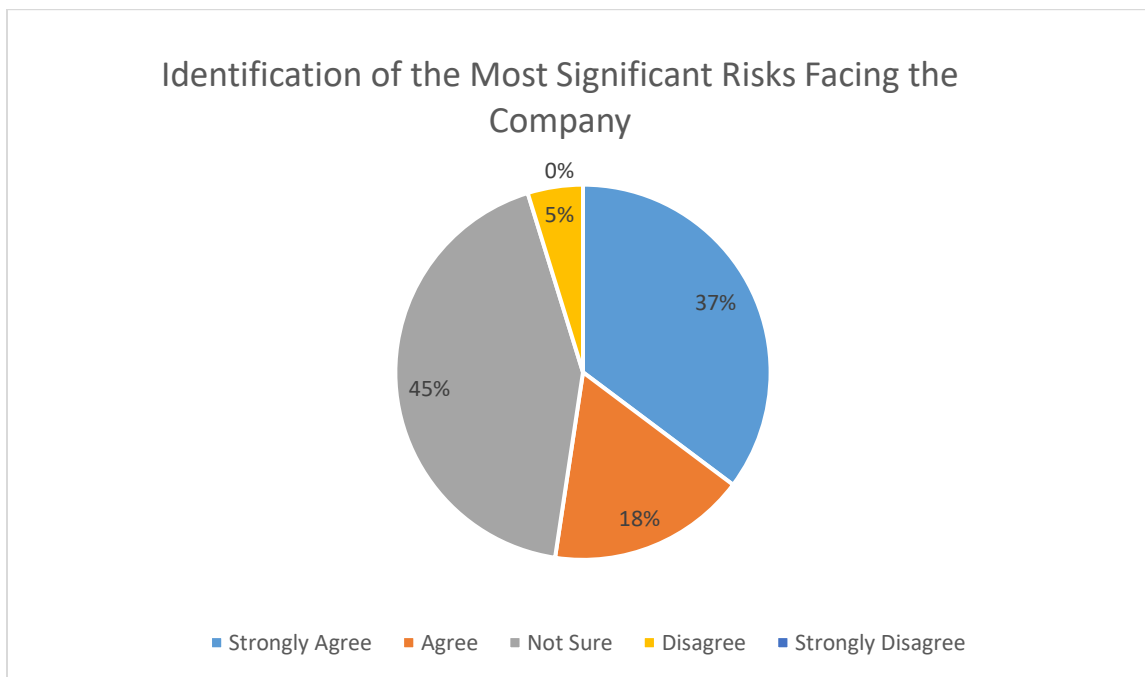


**Fig 4. 11 Processes in Place for Assessing and Controlling Risks.**

**Source:** Research data (2023)

The findings illustrated on fig 4.11 above reveals that a majority of respondents (70%) strongly agreed or agreed that the company has robust processes in place to assess and control risks associated with safeguarding inventory. This indicates a positive perception of the company's efforts in implementing structured procedures and controls for effective risk management. However, a significant number of respondents (30%) expressed uncertainty or were unsure about the existence of these processes, suggesting a need for clearer communication or documentation to enhance employee awareness and understanding. Furthermore, a smaller percentage of respondents (10%) disagreed or strongly disagreed with the presence of robust risk assessment and control processes, indicating a potential need for improvement or alignment in risk management practices.

### Identification of the Most Significant Risks Facing the Company

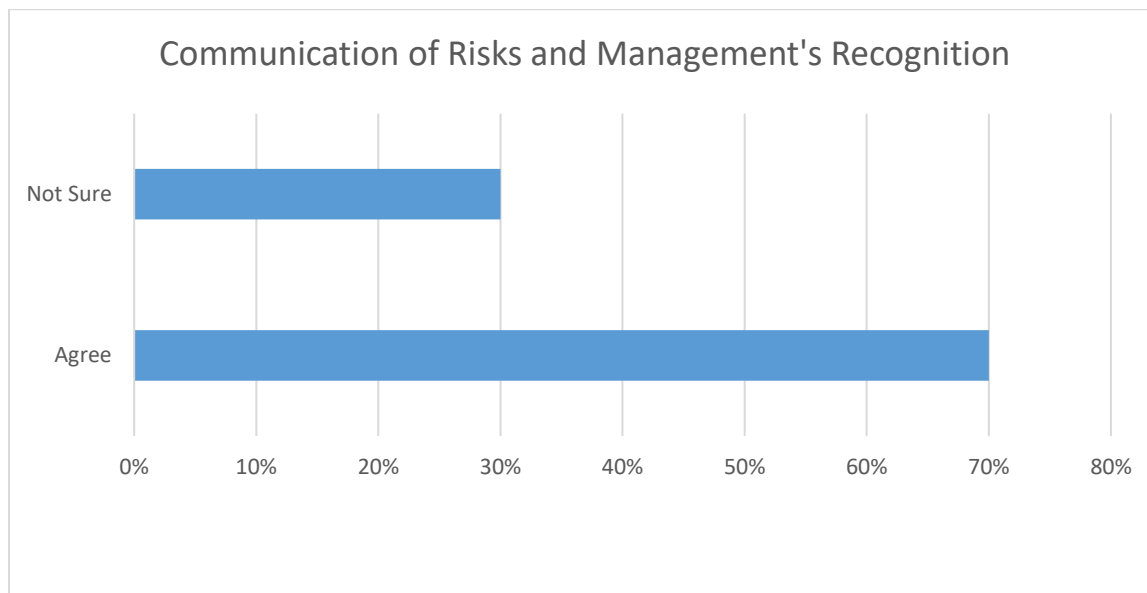


**Fig 4. 12: Identification of the Most Significant Risks Facing the Company.**

**Source:** Research data (2023)

According to the research findings in Fig 4.12 above, a significant number of respondents (55%) strongly agreed or agreed that the company has successfully identified the most significant risks facing the organization in safeguarding inventory. This indicates a comprehensive understanding of key risks and proactive risk management strategies. Conversely, some respondents (45%) expressed uncertainty or were unsure about the identification of the most significant risks, highlighting the need for improved communication or documentation to enhance employee awareness and alignment with risk mitigation efforts. Additionally, a smaller percentage of respondents (5%) disagreed or strongly disagreed with the identification of significant risks, suggesting a potential gap in risk assessment or communication processes.

## Communication of Risks and Management's Recognition

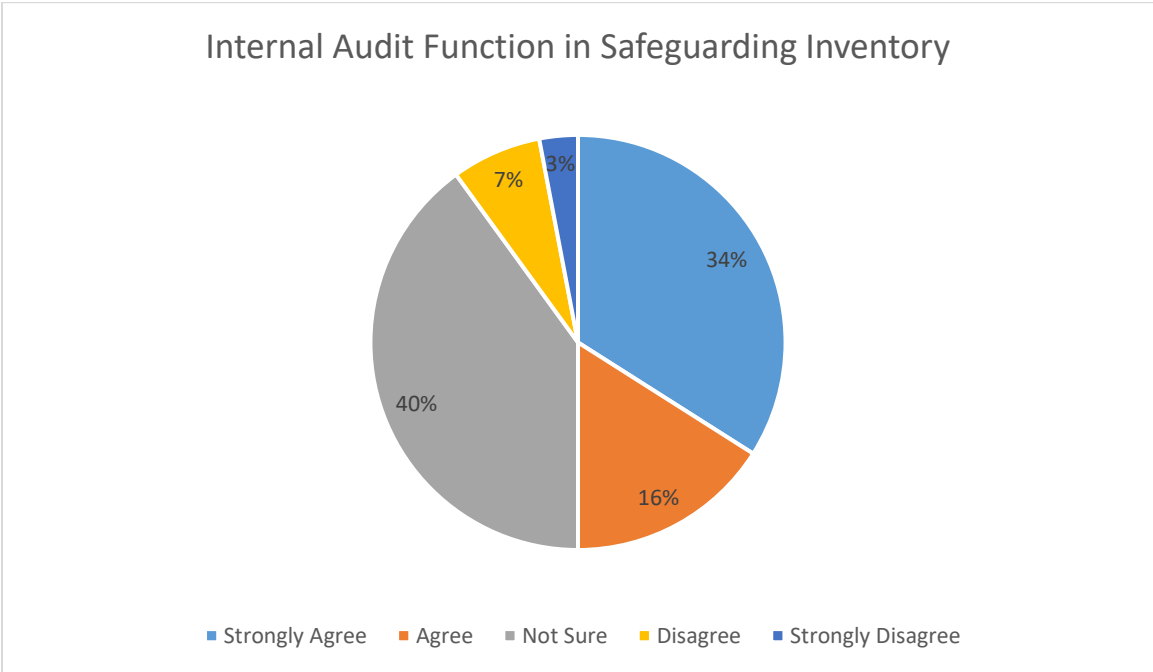


**Fig 4. 13: Communication of Risks and Management's Recognition:**

**Source:** Research data (2023)

According to the research findings in Fig 4.13 above, a majority of respondents (70%) strongly agreed or agreed that risks and management's recognition of them are appropriately communicated to employees for safeguarding inventory. This suggests effective communication and awareness-building on the importance of risk management. However, some respondents (30%) expressed uncertainty or were unsure about the communication of risks and management's recognition. To address this, the company should improve communication channels, provide regular updates on risk-related matters, and ensure that employees have a clear understanding of the company's risk management efforts.

**Internal Audit Function in Safeguarding Inventory**

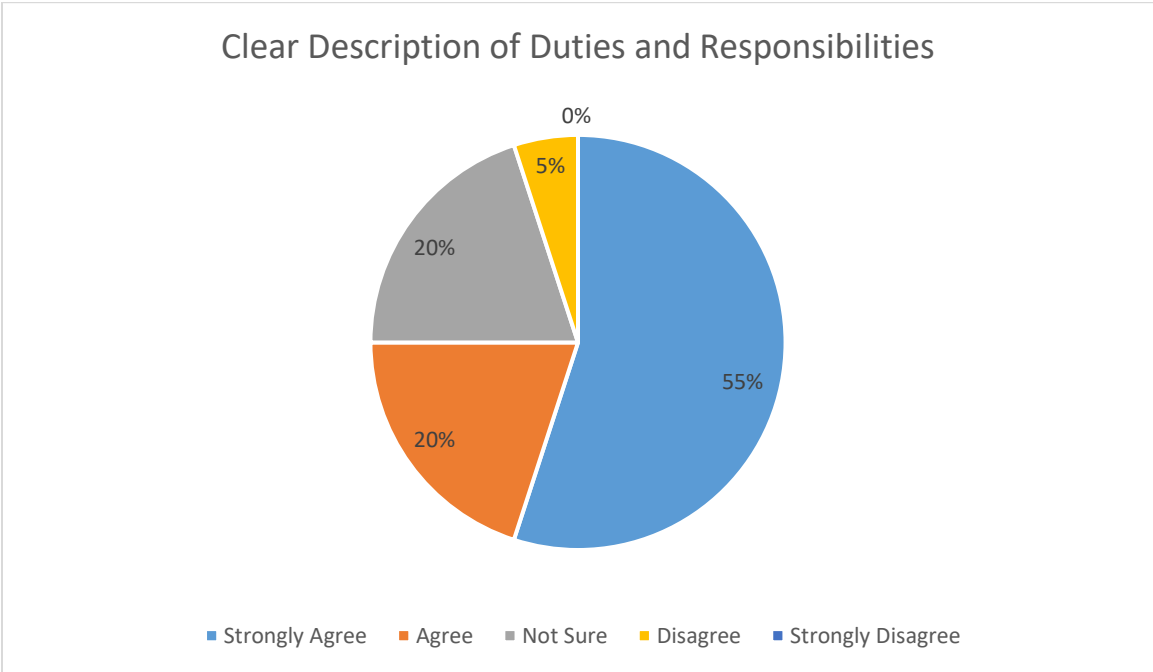


**Fig 4. 14: Internal Audit Function in Safeguarding Inventory.**

**Source:** Research data (2023)

The research findings in Fig 4.14 above reveals that 50% of the respondents strongly agreed or agreed that the company has an internal audit function in place to safeguard inventory. This indicates a positive perception among the majority of the respondents regarding the company's efforts to establish an internal audit function to assess and monitor inventory-related risks, including fraud and theft. However, 40% of the respondents expressed uncertainty or were unsure about the presence of an internal audit function specifically for safeguarding inventory, suggesting a need for clearer communication or documentation regarding the roles and responsibilities of the internal audit function in relation to inventory protection. Furthermore, a smaller percentage of respondents (10%) disagreed or strongly disagreed with the existence of an internal audit function, highlighting potential concerns or gaps in internal control processes.

### Clear Description of Duties and Responsibilities



**Fig 4. 15: Clear Description of Duties and Responsibilities.**

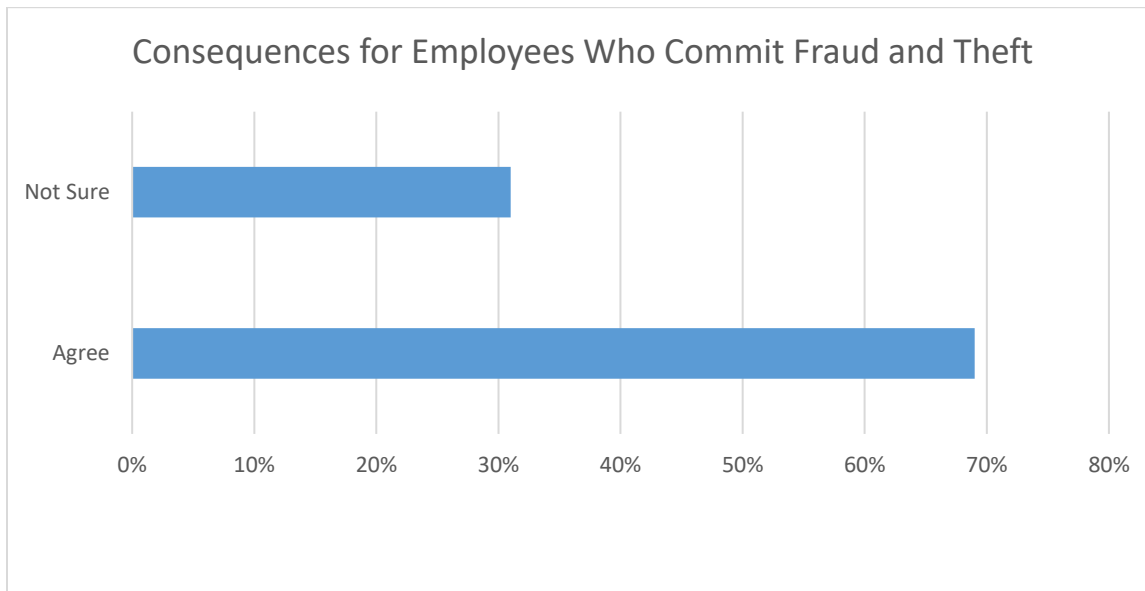
**Source:** Research data (2023)

The research findings in Fig 4.15 above reveals that 75% of the respondents strongly agreed or agreed that the duties and responsibilities of each employee have been clearly described to them in relation to safeguarding inventory. This indicates that the company has taken proactive steps to establish clear guidelines and expectations for employees regarding their roles in inventory protection. However, 20% of the respondents expressed uncertainty or were unsure about the clear description of duties and responsibilities related to inventory safeguarding, suggesting a need for improved communication or documentation to ensure that employees have a comprehensive understanding of their specific responsibilities in preventing fraud and theft of inventory. Additionally, a smaller percentage of respondents (5%) disagreed or strongly disagreed with the clear description of duties and responsibilities, indicating a potential need for further clarification



or alignment in defining employee roles.

### Consequences for Employees Who Commit Fraud and Theft



**Fig 4. 16: Consequences for Employees Who Commit Fraud and Theft**

**Source:** Research data (2023)

According to the findings illustrated on fig 4.16 above, 69% of the respondents strongly agreed or agreed that there are consequences for employees who commit fraud and theft related to inventory, and these consequences are perceived to be fair and consistent. This suggests that the company has established a robust system of accountability and consequences for unethical behavior, promoting a culture of integrity and deterrence. However, 31% of the respondents expressed uncertainty or were unsure about the consequences for employees who engage in fraudulent activities, highlighting the need for improved communication or documentation regarding the company's policies and procedures related to disciplinary actions for such behaviors.

The findings underscore the importance of having fair and consistent consequences for employees who engage in fraudulent activities. While a significant majority of respondents perceive the company to have established such consequences, transparent communication and documentation

of these consequences are crucial to deter potential fraud and theft of inventory and maintain a strong control environment.

#### **4.4 Discussion of Interviews**

**Frequency of Risk Measures Review:** The responses varied, with some employees indicating that risk measures systems are reviewed periodically, while others mentioned that reviews are infrequent or irregular. This suggests a potential gap in ensuring consistent evaluation and improvement of risk management measures at Industrial Valves and Steel Suppliers Private Limited Zimbabwe.

**Segregation and Rotation of Duties:** The interviewees provided descriptions of processes in place for segregating and rotating duties related to safeguarding inventory. However, there were inconsistencies in the level of implementation and adherence to these measures, indicating a need for greater consistency and enforcement of segregation and rotation practices.

**Effectiveness of Internal Controls:** The opinions regarding the overall effectiveness of the risk management measures procedures for safeguarding inventory varied among the interviewees. While some expressed satisfaction with the existing internal controls, others identified weaknesses and areas for improvement. This indicates the presence of both strengths and weaknesses within the internal control system.

**Internal Auditor's Background and Experience:** The interviewees shared information about the educational background and experience of the internal auditor responsible for safeguarding inventory. The details varied, but it was generally recognized that the internal auditor's knowledge and expertise play a crucial role in ensuring effective risk management measures. However, specific qualifications and experience levels were not consistently mentioned.

**Accounting Systems for Inventory Transactions:** The interviewees discussed the accounting

systems in place to track inventory transactions and ensure compliance with policy guidelines. While some described robust systems, others mentioned the need for improvements, suggesting potential risks resulting from slack internal controls in safeguarding inventory.

**Goals and Objectives for Risk Measures:** The interviewees provided insights into the goals and objectives established by the company and its board concerning risk management measures. While specific details varied, there was an overall recognition of the importance of setting clear objectives to guide risk mitigation efforts.

**Employee Policies for Detecting Breaches:** The interviewees were asked about employee policies that assist in detecting breaches of risk management measures. The responses indicated the existence of some policies, but there were mixed perceptions regarding their effectiveness and consistency in detecting breaches related to inventory risk management.

**Receipt and Review of External Audit Reports:** The interviewees shared information about who receives and reviews the external audit reports issued by the external auditor. The responses varied, with some mentioning the audit committee and others referring to the board. This suggests the presence of a mechanism for external oversight and evaluation of inventory safeguarding measures.

The findings from the interviews at Industrial Valves and Steel Suppliers Private Limited Zimbabwe provide insights into various aspects of risk management measures aimed at safeguarding inventory. While the company has implemented certain measures, there are areas that require attention and improvement. Enhancements can be made in the frequency of risk measures review, segregation and rotation of duties, and the overall effectiveness of internal controls to strengthen inventory safeguarding practices. It is crucial to carefully consider the qualifications and experience of the internal auditor responsible for inventory risk management to ensure

adequate expertise. Although accounting systems for inventory transactions exist, tighter controls aligned with policy guidelines are needed. Clear goals and objectives for risk measures should be established, and employee policies for detecting breaches should be enhanced to contribute to a more robust risk management framework. The receipt and review of external audit reports provide an external oversight mechanism, but specific processes and responsibilities should be clearly defined for effective utilization of audit findings. Overall, these findings highlight the importance of continuous evaluation, improvement, and alignment of risk management measures to safeguard inventory. By addressing the identified gaps and implementing appropriate strategies, Industrial Valves and Steel Suppliers Private Limited Zimbabwe can strengthen its inventory risk management practices and mitigate the potential for fraud and theft.

#### **4.5 Summary**

The main emphasis of this chapter lies in the presentation of data that was gathered from research participants through the distribution of questionnaires and the utilization of an interview guide (all of which are attached in the appendices section). To ensure a comprehensive and clear presentation, various tools such as charts, frequency distribution tables, and descriptive statistics tables were employed to analyze and showcase the collected data. The research objectives set for this study have provided the framework and boundaries for organizing and presenting the data in this chapter.

In the subsequent chapter, the focus will shift towards summarizing the main findings, drawing conclusions based on the analysis, and providing recommendations stemming from the study. The summary and conclusion section will provide a concise overview of the key insights and outcomes derived from the data analysis. Additionally, recommendations will be provided to guide future actions and improvements based on the findings of the study.

## **CHAPTER V**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.0 Introduction**

This final chapter brings together the comprehensive research conducted on risk management measures at Industrial Valves and Steel Suppliers Private Limited, Zimbabwe, as detailed in Chapters 1 to 4. It aims to provide a succinct yet thorough summary of the study, integrating theoretical insights and empirical findings to draw meaningful conclusions. The chapter goes beyond mere recapitulation, offering a critical interpretation of how these findings contribute to the broader discourse in risk management. It also presents actionable recommendations derived from the study's conclusions, tailored to the specific organizational context and outlining potential directions for future research in this field. This synthesis is designed to encapsulate the study's key achievements while highlighting its relevance and applicability in both academic and practical domains of risk management.

#### **5.1 Summary of the Study**

This study embarked on an in-depth exploration of risk management measures within the context of inventory safeguarding at Industrial Valves and Steel Suppliers Private Limited, Zimbabwe. The initial chapter laid the groundwork by introducing risk management concepts, drawing significantly from the seminal works of Garaczi (2013) and Bernstein (1998). Garaczi's (2013) insights into the historical evolution of risk perception and management strategies provided a crucial backdrop to understanding the complexities involved in contemporary risk management. Bernstein (1998), on the other hand, offered a comprehensive view of the development of risk management from a socio-economic perspective, laying emphasis on how risk management has become a pivotal aspect of modern business operations.

Chapter 2 deepened this exploration through a rigorous literature review, where the theoretical underpinnings of risk management and internal controls were meticulously examined. This chapter drew heavily on the contributions of Dessewffy (2002) and Beck (1998), whose works collectively painted a vivid picture of the dynamic and often intricate nature of risk in the corporate world. Dessewffy (2002) provided a critical analysis of how societies historically and currently perceive and respond to risks, particularly in the business domain. Beck's (1998) concept of the 'Risk Society' was instrumental in understanding how contemporary organizations navigate the uncertain terrain of global risks and the ensuing implications for corporate governance and accountability.

In Chapter 3, the research methodology was elaborated, informed significantly by the methodological framework posited by Kothari (2004). Kothari's comprehensive approach to research design, data collection, and analysis offered a robust structure for the study. This methodology chapter detailed the mixed-methods approach adopted for the study, combining quantitative and qualitative research methods to ensure a holistic understanding of the risk management measures at Industrial Valves and Steel Suppliers Private Limited. The quantitative aspect involved the deployment of structured questionnaires, while the qualitative facet comprised semi-structured interviews, allowing for a deeper, nuanced exploration of participants' perspectives and experiences.

Finally, Chapter 4 presented the data analysis, heavily guided by the principles set forth by Saunders et al. (2016). This chapter meticulously dissected the gathered data, employing both statistical analysis for the quantitative data and thematic analysis for the qualitative inputs. Saunders et al.'s (2016) approach to data analysis underscored the importance of integrating both quantitative and qualitative findings to form a coherent narrative that accurately reflected the risk

management realities within the company. This comprehensive data analysis not only illuminated the current state of risk management measures at the company but also highlighted areas requiring attention and improvement.

Together, these chapters formed a cohesive, in-depth investigation into the risk management measures at Industrial Valves and Steel Suppliers Private Limited, Zimbabwe, providing both a theoretical and practical understanding of the challenges and opportunities in this vital area of business operations.

## **5.2 Summary of Major Findings**

### **Factors Affecting Risk Management Effectiveness in Safeguarding Inventories**

This study identified several key factors affecting the effectiveness of risk management measures, notably in safeguarding inventories at Industrial Valves and Steel Suppliers Private Limited. Key factors highlighted include the level of employee training and awareness, organizational commitment to risk management, and the comprehensiveness of risk management policies. This aligns with Jackson and Stent (2007), who emphasize the importance of staff competency and segregation of duties in effective internal control systems.

### **Determinants of Internal Control System Effectiveness**

The effectiveness of internal control systems in safeguarding inventories was found to be influenced by various factors. These include the design and implementation of control activities, risk assessment procedures, and the effectiveness of information and communication systems, resonating with the conceptual framework outlined by Ongeru (2010). The study's findings suggest a need for a holistic approach encompassing all these components to enhance control system effectiveness.

### **Exposure to Risk Due to Slack Internal Controls**

The research revealed that slack internal controls in safeguarding inventories significantly expose Industrial Valves and Steel Suppliers Private Limited to various risks. This finding is consistent with the views of Cooper (2020), who discusses the implications of weak internal controls on organizational risk exposure. The study highlighted specific areas of vulnerability, including procurement processes and inventory management.

### **Recommendations for Management**

In light of the findings, the study provided specific recommendations to the management of Industrial Valves and Steel Suppliers Private Limited. These recommendations are grounded in the best practices suggested by authors like Millichamp (2018), emphasizing the importance of regular reviews of the internal control system and the need for continuous improvement.

### **Strategies to Eliminate Fraud and Theft of Inventory**

To combat fraud and theft of inventory, the study suggests strategies that include strengthening internal audits, as advocated by Alvin and Loebbecke (2019), and enhancing inventory tracking and monitoring systems. These recommendations align with the research gap identified in the literature review, indicating a need for more robust measures in inventory control and fraud prevention.

### **5.3 Conclusions**

The comprehensive investigation into the risk management measures at Industrial Valves and Steel Suppliers Private Limited yields a set of nuanced conclusions that not only answer the research questions but also establish a relationship between the empirical findings and the theoretical frameworks underpinning the study.



### **Establishment of Foundational Risk Management Measures**

The study concludes that Industrial Valves and Steel Suppliers Private Limited has laid a foundational framework for risk management measures, a finding that resonates with the theoretical perspectives of Garaczi (2013) and Bernstein (1998). Garaczi's work, which underscores the evolving nature of risk perception in organizations, aligns with the observation that while the company recognizes the importance of risk management, the approach and understanding of such risks are still in a state of evolution. Bernstein's discussion on the socio-economic factors influencing risk management further elucidates this point, highlighting that the company's risk management measures, although in place, are reflective of a broader socio-economic context that shapes their effectiveness and reception within the organization.

### **Variability in the Effectiveness of Risk Management Measures:**

The study identified a variability in the effectiveness of these measures, a finding that aligns with the theoretical insights provided by Garaczi (2013) and Bernstein (1998). This variability is not merely a reflection of the company's internal dynamics but also indicative of the larger, complex environment in which modern businesses operate, as discussed by Bernstein. Garaczi's emphasis on the historical evolution of risk management sheds light on why some measures may be more robust than others, suggesting that the company's approach to risk management is influenced by both historical and contemporary risk management practices.

### **Role and Potential Enhancement of the Internal Audit Function:**

Regarding the internal audit function, the study finds that while this function is present within the company, it could benefit from enhancements to achieve better risk oversight. This conclusion is underpinned by Alvin and Loebbecke's (2019) assertion on the critical role of auditing in

contemporary organizations. Their work suggests that an effective internal audit function is not just a procedural formality but a crucial component of an organization's risk management and governance framework. This study's findings echo this perspective, highlighting the need for the company to not only have an internal audit function in place but to ensure that it is equipped with the necessary resources, expertise, and authority to effectively oversee and improve risk management practices.

#### **5.4 Recommendations**

The study's comprehensive analysis and its alignment with theoretical insights lead to several key recommendations aimed at enhancing risk management at Industrial Valves and Steel Suppliers Private Limited. These recommendations are logically derived from the synthesis of the study's findings, the conclusions drawn, and the theoretical underpinnings reviewed in earlier chapters. They serve as actionable guidelines for the company to move forward in strengthening its risk management framework.

##### **Improvement in Communication and Training Regarding Risk Management Measures:**

Firstly, the study recommends a significant enhancement in communication and training regarding risk management measures. This recommendation is informed by the insights of Kenneman (2004) and Puttick (2001), who emphasize the crucial role of effective communication and comprehensive training in the implementation of internal controls. The study found that while risk management measures are in place, their effectiveness is hindered by a lack of thorough understanding and inconsistent application among employees. To bridge this gap, it is essential for the company to invest in targeted communication strategies that clearly articulate the risk management policies and their importance. Furthermore, comprehensive training programs should be developed and

regularly updated to ensure that all employees, irrespective of their role or level, are equipped with the necessary knowledge and skills to effectively implement these measures. These programs should be dynamic, reflecting the evolving nature of business risks and incorporating the latest best practices in risk management.

### **Strengthening the Internal Audit Function**

In line with the recommendations of Alvin and Loebbecke (2019), the study strongly advocates for the strengthening of the internal audit function. Alvin and Loebbecke's work underscore the importance of an effective internal audit in providing independent assurance and oversight of a company's risk management and internal control systems. The study reveals that the internal audit function at Industrial Valves and Steel Suppliers Private Limited, while present, requires bolstering to effectively perform its role. This strengthening could involve enhancing the resources available to the internal audit department, including staffing, training, and technological tools. Furthermore, the scope and frequency of internal audits should be expanded to provide more comprehensive coverage of the company's operations. The internal audit team should also be empowered to have more autonomy and authority to ensure objective assessment and to drive changes in the company's risk management practices.

### **Regular Review and Adaptation of Risk Management Strategies**

Finally, the study recommends the regular review and adaptation of risk management strategies, as suggested by Onger (2010). Onger highlights the dynamic nature of risks facing modern organizations, necessitating continuous adaptation of risk management strategies. The study's findings suggest that while the company has established risk management measures, they are not fully effective due to a lack of adaptation to changing circumstances and emerging risks. Therefore,

it is essential for Industrial Valves and Steel Suppliers Private Limited to establish a mechanism for regularly reviewing its risk management strategies. This process should involve assessing the effectiveness of current measures, identifying new and emerging risks, and adapting strategies accordingly. Incorporating regular feedback loops, stakeholder engagement, and industry benchmarking can ensure that the company's risk management strategies remain relevant, effective, and aligned with best practices.

### **5.5 Recommendations for Further Study**

The conclusions and insights derived from this study open avenues for further research in the field of risk management, particularly in the context of inventory control and corporate governance. The need for such research is underscored by the existing gaps in the literature, as highlighted by authors like Dessewffy (2002) and Beck (1998), who delve into the societal and organizational dynamics of risk management. Expanding upon these foundational works, the study recommends two primary areas for future research: longitudinal impacts of risk management measures and comparative analyses with other companies.

#### **Longitudinal Impacts of Risk Management Measures**

One of the crucial areas for future research is the longitudinal analysis of the impacts of risk management measures. This approach is vital to understanding how risk management strategies evolve over time and their sustained effects on organizational resilience and inventory control. Longitudinal studies would provide invaluable insights into the long-term effectiveness, adaptability, and potential areas for continuous improvement in risk management practices. It would help answer critical questions such as how risk management measures adapt to changing market dynamics, technological advancements, and evolving threats. Moreover, such research

could explore the cumulative impact of risk management on organizational culture, employee behavior, and overall corporate governance. This perspective aligns with Dessewffy's (2002) examination of the evolution of risk perception and management over time, emphasizing the dynamic nature of these concepts.

### **Comparative Analyses with Other Companies**

Another recommended area for further research is conducting comparative analyses of risk management practices across different companies, possibly within the same industry or across various sectors. This comparative approach would offer a broader view of how different organizational structures, cultures, and market environments influence the design and effectiveness of risk management measures. It would allow for the identification of best practices, innovative strategies, and common challenges faced by organizations in managing risks, particularly related to inventory. Such studies could provide a rich source of data for benchmarking and cross-learning, contributing to the development of more robust and comprehensive risk management frameworks. Beck's (1998) concept of the 'Risk Society' suggests that organizational risk management practices are influenced by broader societal factors, making comparative studies particularly relevant in understanding these influences.

In conclusion, these recommended areas for further study are crucial for advancing the field of risk management. They address the need to understand the temporal dynamics of risk management measures and the variability in their application across different organizational contexts. Such research endeavors would not only contribute to academic knowledge but also provide practical insights for businesses seeking to enhance their risk management strategies. The recommendations

for further research are grounded in the current study's findings and the existing literature, ensuring their relevance and potential to fill the identified gaps in knowledge.

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## **APPENDIX A**

**Great Zimbabwe University**

**P.O Box 1235**

**Masvingo**

### **TO WHOM IT MAY CONCERN**

I, Timothy Chapata, am a student at Great Zimbabwe University pursuing a Master of Commerce Degree in Professional Accounting and Corporate Governance. As part of my academic requirements, I am conducting a research study titled "Risk Management Measures Towards Safeguarding Inventory: A Case Study of Industrial Valves and Steel Suppliers (Private) Limited (2019 -2023)."

This appendix contains a questionnaire divided into several sections, focusing on various aspects of risk management and inventory safeguarding within Industrial Valves and Steel Suppliers (Private) Limited. I kindly request your participation in this study by providing your valuable insights and responses to the questions presented.

Please be assured that all information collected will be used solely for academic purposes and will be kept strictly confidential. Your contribution is crucial to the success of this research and will greatly aid in the advancement of knowledge in the field of professional accounting and corporate governance.

If you require any clarification or further information, please feel free to contact me at +263774986706. I appreciate your cooperation and support in this academic endeavor.

Yours Faithfully,

Timothy Chapata

M227179

**APPENDIX B**

**QUESTIONNAIRE GUIDE FOR INDUSTRIAL VALVES AND STEEL SUPPLIERS**

**PRIVATE LIMITED ZIMBABWE EMPLOYEES**

My name is Timothy Chapata student with the Great Zimbabwe University (GZU) undertaking a research dissertation study about risk management measures toward safeguarding Inventory at Industrial Valves and Steel Suppliers Private Limited Zimbabwe. The questionnaire seeks to gather information needed in the research dissertation study. You are kindly being asked to complete the questionnaire with appropriate responses. You are being assured that the information so provided will remain confidential during, after the study and will strictly be used for academic purposes.

I am therefore kindly asking you to answer the questions below by **ticking** in the spaces provided to show your answer. Your name or any form of identity is not required on this questionnaire in order to maintain your anonymity.

**PART I**

1. Gender    Male                       Female   

2. Age group: <25yrs     26 -35     36- 45     46>

3. Professional Qualifications

Certificate     Diploma     Degree     Masters and other

Other (please specify) .....

4. How long have you been in this organisation?

1-3 Years     4-6 years     .    7- 10 years     10 + years

**PART II**

**Factors affecting risk management measures are there effective in safeguarding Inventory.**

5. The Entity have risk management measures System(s) in safeguarding Inventory.

Strongly Agree  Agree  Not Sure  Disagree  Strongly Disagree

6. Risk management measures prevent or detect significant errors or irregularities in safeguarding Inventory.

Strongly Agree  Agree  Not Sure  Disagree  Strongly Disagree

7. The Entity review risk management measures on internal procurement control system (s) in safeguarding Inventory.

Strongly Agree  Agree  Not Sure  Disagree  Strongly Disagree

8. Is there a risk management measures on internal procurement Control System policy and procedure manual towards safeguarding Inventory? Is it up to date?

.....  
.....  
.....

**Effectiveness of the Internal controls system(s).**

9. Is there an internal review of employee skills and experience in safeguarding Inventory.

Strongly Agree  Agree  Not Sure  Disagree  Strongly Disagree

10. Are current or duplicate copies of the operating system and programs maintained off premises related to Inventory records.

Strongly Agree  Agree  Not Sure  Disagree  Strongly Disagree

11. The board and its representatives have complete access to Inventory entity records.

Strongly Agree  Agree  Not Sure  Disagree  Strongly Disagree

12. Are there circumstances in which the personal financial interest of key officers or employees depends directly on the financial condition of the Entity?

.....  
.....  
.....

**Exposure to risk as a result of Slack internal controls in safeguarding Inventory.**

13. The Company do risk assessment in safeguarding Inventory.

Strongly Agree  Agree  Not Sure  Disagree  Strongly Disagree

14. The company have processes in place to assess and control those risks towards safeguarding Inventory.

Strongly Agree  Agree  Not Sure  Disagree  Strongly Disagree

15. Entity have the most significant risks facing the Company today in safeguarding Inventory?

Strongly Agree  Agree  Not Sure  Disagree  Strongly Disagree

16. The existence of risks and management's recognition of this is it appropriately communicated to employees towards safeguarding Inventory.

.....  
.....  
.....

**Strategies that can be taken to eliminate fraud and theft of inventory at the Company.**

17. The entity have an internal audit function towards safeguarding Inventory.

Strongly Agree  Agree  Not Sure  Disagree  Strongly Disagree

18. Duties and responsibilities of each employee been clearly described to them towards safeguarding Inventory.

Strongly Agree  Agree  Not Sure  Disagree  Strongly Disagree

19. Are there consequences for employees who commit fraud and theft are those consequences fair and consistent in Safeguarding Inventory.

.....  
.....

**END OF QUETIONNAIRE**



## **APPENDIX C**

### **INTERVIEW GUIDE FOR INDUSTRIAL VALVES AND STEEL SUPPLIERS PRIVATE LIMITED ZIMBABWE EMPLOYEES**

#### **PART I**

##### **Factors affecting risk management measures systems in safeguarding Inventory.**

1. How often do you review your risk measurers systems of the Company?
2. Describe your risk measures process for ensuring segregation and rotation of duties towards safeguarding Inventory?

##### **Effectiveness of the Internal controls system(s) of safeguarding Inventory.**

3. Would you rate your overall risk management measures procedures strong Satisfactory, or weak in safeguarding Inventory?
4. Describe the internal auditor's educational background and experience towards Safeguarding Inventory?

##### **Company exposure to risk as a result of Slack internal controls in Safeguarding Inventory**

5. What accounting systems are in place to account for transactions of inventory to ensure that risk-taking activities are within policy guidelines?
6. What goals and objectives have you and the board established for risk measures?

##### **Strategies that can be taken to eliminate fraud and theft at Entity.**

7. Do you have employee policies that assist in detecting breaches of risk management measurers?
8. Who receives and reviews the external audit report issued by the external auditor (audit committee or board) towards safeguarding Inventory?

**END OF INTERVIEW QUESTIONS**