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TOWARDS RISK BASED AUDITING: A CASE OF BULAWAYO COMPANIES.

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ABSTRACT

Since the traditional approach of auditing does not focus on risk identification and the management of the identified risk, but focus mainly on compliance and correctness of transactions. The study sought to establish whether companies in Bulawayo have moved to risk based internal auditing which looks at auditing those issues that are more risky in the organization, or areas that have the most potential for causing material misstatements in the financial report as well as items that may prevent the organization from meeting its objectives.

The study used a sample of 45 organizations from the various sectors of the Zimbabwean economy namely mining, banking retail stores, manufacturing, clothing, Engineering, NGOs, food industry, and major audit firms in the country. Primary data was collected from the study respondents using questionnaires and interviews administered by the researcher. Data was analyzed and the study found out that companies in Bulawayo have moved from the traditional audit approach into risk based internal auditing, with 27% having moved completely, 51% moderately, 13% on a low level and 9% still using the traditional audit approach. The study recommended that auditors should review their audit programs every time they start on a new audit engagement so that the programs are in line with current risks that are identified, and that organizations that are still using the traditional audit approach should move to risk based auditing approach as it results in value addition for the organization and its shareholders.