EVALUATION OF THE ROLES OF INTERNAL AUDIT IN RISK MANAGEMENT
THE CASE STUDY OF CMA-CGM (TANZANIA) LIMITED

By
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A Dissertation submitted in partial Fulfillment of the Requirements for the
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CERTIFICATION

We the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a dissertation/thesis entitled “Evaluation of the Role of Internal audit in Risk Management, a case of Compagnie Maritime d’Affetement Compagnie Generale Maritime (CMA-CGM) of Tanzania” in partial fulfillment of the requirements for award of the degree of Master of Science in Accounting and Finance of Mzumbe University.

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I Khamida Is-haka, declare that this dissertation is my own original work and that it has not been presented and will not be presented to any other university for a similar or any other degree award.

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Lastly my sincere thanks goes to all staff members from Accounting department and Internal Auditing Department at CMA-CGM Tanzania Ltd, for their effective corporation and willingness support that they have showed me throughout this research work.
DEDICATION

I dedicate this work to all young women out there, who are struggling and passing through hard times in achieving their goals in this challenging world of today.
# LIST OF ABBREVIATION

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>CAG</td>
<td>Controller auditor general</td>
</tr>
<tr>
<td>DEPT</td>
<td>Department</td>
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<tr>
<td>DOF</td>
<td>Delivery order fees</td>
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<tr>
<td>ERM</td>
<td>Enterprise Risk Management</td>
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<tr>
<td>IAS</td>
<td>International Accounting Standards</td>
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<td>IFRS</td>
<td>International Financial Reporting Standards.</td>
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<tr>
<td>IIA</td>
<td>Institute of Internal Auditors</td>
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<td>ISA</td>
<td>International Standards Audit</td>
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<tr>
<td>MGT</td>
<td>Management</td>
</tr>
<tr>
<td>NBAA</td>
<td>National Board of Auditors and Accountants</td>
</tr>
<tr>
<td>PA&amp;OB</td>
<td>Public authority and other bodies</td>
</tr>
<tr>
<td>R&amp;Gs</td>
<td>Rules and Regulations.</td>
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<tr>
<td>TASAC</td>
<td>Tanzania Shipping Agencies Corporations</td>
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ABSTRACT

This study was about evaluation of the roles of internal audit in risk management a case study of CMA-CGM in Dar es salaam, Tanzania. The study was based in shipping industry in Tanzania and was guided by three specific objectives namely to examine the role on internal audit in operational risk management within CMA-CGM, to assess the role of internal audit in financial risk management at CMA-CGM to assess the role of CMA-CGM internal audit in managing compliance risk. The study was conducted at Compagnie Maritime d’Affetement Compagne General Maritime Tanzania Ltd (CMA-CGM) which is an international shipping line company.

This case study design which was descriptive in nature involved 90 respondents from CMA-CGM who were selected using judgmental sampling technique from among the managers, accounting department and auditing unit at CMA-CGM. Data were collected from respondents through questionnaires, observation and interview. Data were collected and analyzed and were presented in a descriptive form followed by in depth discussion. The presentation of the data and discussion were in respect of the research objectives.

From the study findings, internal audit helps the operational risk management through reviewing and reporting on operational activities, safeguarding organizational resources and evaluating the operational risks. Also, internal audit helps in financial risks management through protecting possible theft and frauds, improving classification of revenues and expenditure and checking the reliability and integrity of financial data and statements. It was also shown that, internal audit acts as a monitoring and controlling tool and provides advice towards managing compliance risks in CMA-CGM. But also, it was revealed that internal audit at CMA-CGM plays significant role towards risk management and the company is in right place because they promote internal audit independence and integrity when performing their function. Also, they put in action all advice, comments and recommendations received from internal audit unit for better achievement of their organization goals. Lastly, the researcher recommended some possible actions to be observed and implemented by the CMA-CGM management, internal audit unit, the shipping line companies, the government and all relevant governing bodies and authorities to auditing and shipping sector.
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CHAPTER ONE

INTRODUCTION

1.0 Introduction
This is a preliminary chapter that intends to clarify the study in details. It includes the study background, the problem statement, objectives of the study (general and specific), research questions, the study significance, the scope of the study, limitations and delimitations of the study and the organization of the dissertation.

1.1 Background of the Study.
In recent years the function of internal audit has been subjected to a dramatic change which resulted into expansion of its scope for better contribution to the organization performance, particularly in the areas of assurance and consulting services. This was influenced by many factors among of which is the regulatory and economy diversity (Hass, Abdolmohammadi, & Burnaby, 2006). These changes allows internal audit to grow significantly towards improving areas of organizational internal control, risk management and governance by giving objective assurance and consulting services in many different ways (Kertali & Tahajuddin, 2018).

In today’s world, business operations become more complex to undertake due to new emerged risk, thus forces organizations to pay more attention in risk management. Being it a center of attention it necessitate organizations to have effective internal audit department as watchdog to evaluate, oversees and improve on the effectiveness of risk management. And for this reason there is no business that can operate smoothly without considering these two things (internal audit and risk management) as they are considered to be a backbone of any business, as they affect not only the current company’s performance but also affects the long run survival in the particular company.

Different studies have suggested that, to cope with risky business environment, organization must ensure they have well performing internal audit functions which will enable evaluation and monitoring of all operational activities and will contribute to the improvement of overall risk management process, control activities as well as governance process; and from this perception the relevance of having effective internal
audit function and its contribution towards risk management can clearly been seen (Bou-Raad, 2000).

In Tanzania the internal audit services were set up in 1961 and were monitored by Exchequer and Audit Ordinance of 1961; but in the year 2001, the Exchequer and Audit Ordinance were revoked and the Public Finance act of 2001 was enacted along with its regulations of 2001 as a replacement to oversee and monitor the internal audit services. The act requires organizations to establish internal audit unit, which will give objective assurance on the adequacy and effectiveness of entity’s internal control systems, risk management and good governance process.

However, the internal audit efficiency has been questioned over the years now despite the current observed improvements of internal audit function. The main doubt raised from the roles of internal audit especially in providing assurance, guidance and consultancy towards risk management. This raised serious doubts and questions to internal auditors as to whether they can balance their level of objectivity and independence when performing their functions, since they are also among the employees of a particular organization.

Therefore, this study sought to enlighten the evaluation of the roles of internal audit towards risk management in an organization as there is a need to increase awareness of this issue especially in developing country like Tanzania. Also the researcher was able to review and apply different theories such as stewardship theory and institutional theory in order to support and solid the problem under the study.

1.2 Statement of the Problem

Usually the main objective of having internal audit functions in an organization is to provide an objective and reasonable assurance, consulting services and oversee different activities that are designed to operate and add value to the organization performance at large. Internal audit is there to assure that management and organization objectives are attained, and design a disciplined approach that can help the organization to evaluate and improve the effectiveness of risk management, the effectiveness of control systems and maintain good governance to the management and internal auditors by making them accountable, committed and of integrity (Millichamp, 2008). Among many roles of
internal audit, there is high incident that shed a light towards the role of internal audit in managing business risks in an organization that gained great attention in both private and government organizations.

Unfortunately when internal auditors perform their roles towards risk management serious threats may arise that could impair their independence and objectivity as a result of failure of organizations in recognizing and acknowledge that, the management are the one who remain responsible in risk management, and so the internal audit is there for provision of advice and extra eye in forecasting on the challenges that may occur in the organization and support the decision of managers on risk management.

Although few studies have addressed this issue, a very negligible number have implicate the situation in specificity and in a way forward in developing countries like Tanzania especially in shipping line companies. Therefore this study aims to examine and evaluate how the internal audit function is performed, its functions (roles) in regard to risk management while maintaining the internal auditors’ level of objectivity and independence in the organization in Tanzania.

1.3 Objectives of the Study

The study had two sets of objectives, that is the general objective and the specific objectives.

1.3.1 General Objective

The main objective of this research was to evaluate the role of internal audit in risk management at CMA-CGM.

1.3.2 Specific Objectives

i. To examine the role of internal audit in operational risk management within CMA-CGM.

ii. To assess the roles of internal audit in financial risk management at CMA-CGM.

iii. To assess the role of CMA-CGM internal audit in managing compliance risks.
1.4 Research Questions

i. What are the roles of internal audit in the operational risks management within CMA-CGM?

ii. What are the roles of internal audit in the financial risks management within CMA-CGM?

iii. What is the role of the internal audit in the management of compliance risks management within CMA-CGM?

1.5 Significance of the Study

The top management of CMA-CGM may use the research findings and recommendation to enlighten internal audit department to better understand and implement their roles in risk management in the organization, and equip the management with proper knowledge and procedures that is essential and helpful in risks management in an organization.

The result of this study serves as reference and guide to the other researchers who will conduct their research in this field and / or related field as it enlightens the meaning, scope and significances of internal audit in risk management within an organization.

To the researcher, this study is part of the fulfillments of the requirements for an award of Masters of Science in Accounting and Finance of Mzumbe University.

1.6 Scope of the Study

Geographically, the study was conducted at CMA-CGM Tanzania Limited in Dar-es-salaam region, Tanzania. The researcher used CMA-CGM (an international shipping company) as a case analysis. The researcher was intending and able to conduct the study at Dar es Salaam since it is the Headquarters of this international shipping line (which is centralized) and it was more convenient to the researcher.

The study focused on the evaluation of roles of internal audit in risk management in an organization. Under this study, theories that relates to internal audit such as stewardship theory and institutional theory were reviewed and assessed as to solid the evaluation the roles of internal audit and its significance towards risk management.
1.7 Limitations and delimitations of the Study

Confidentiality of Data, in the process of collecting data some of information were difficult to access due to confidentiality clause, as respondents were afraid of disclosing some information for fear of leakages of company information; but the researcher was able to convince and educate the respondents on the importance of the study and its relevance to the organization and was able to collect enough data that was used to finish the research study.

Respondents and Interviewees Schedule; some of respondents and interviewee had a very tight schedule which make their participation in this research not be effective as the have limited time especially the top member of the organization, but the researcher was able to utilize their available time effectively and obtain necessary information from top members of the organization.

Slow return of questionnaires; among of questionnaire distributed to the respondents were not returned in time, this is because some employees had traveled away until when the time of conducting research ended. However, the researcher used the returned scripts as well as information obtained through other methods such as interviews to make judgments.

1.8 Organization of the Study

This research work is organized in total of six chapters, where by chapter one presents and shows the overview of the purpose of conducting this research. It covers the study background, the problem statement, objective of the study (general and specific), research questions, the study significance, the scope of the study and the limitation and delimitation of the study.

Chapter two presents the literature review, where by detailed review of literature which is relevant to the subject matter was presented along with empirical review. In this chapter the researcher was able to review different concepts and theories that are in relation to internal audit and risk management, but also conceptual framework was presented.
Chapter three explains the research methodology used in the collection of data and analysis. This part provides a portrayal of the sort of the examination, area of the study, research design, the study population, sample size, the sampling technique and data collection methods and analysis.

Chapter four presents the findings of the study basing on the specific research objectives. The presentation started with the demographic information then followed by the descriptive data presentation which showed frequencies of occurrence and descriptive tables.

Chapter five presents the discussion of the study basing on the presented findings and analysis. The discussion shows the relation of this study to the empirical studies as to enable readers to understand the gap the study was trying to fill.

Lastly, chapter six comes to finalize and bold the study main agenda. The chapter contains the summary of the study, the conclusion of our study as to whether it was successful or not, the researcher’s recommendations on several shipping stakeholders and possible areas that can be further studied to complete the understanding on the significance of internal auditing on risks management and business success at large.
CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction
In this chapter a review of existing literature is shown to upkeep the study’s argument and undertaking. The chapter displays out in details review of literature relevant to the subject matter and it includes theoretical literature concerning concept and theories developed in relation to internal audit, risk management and the two concept in a related mode. It also point out empirical literature consisting of studies made earlier which relate to selected topic and firstly it presents the conceptual framework of the study.

2.1 Theoretical Review.
2.1.1 Meaning, Scope and Nature of Internal Audit
The basic definition of internal audit can be explained by International Auditing and Assurance Standard Board (2012), as a review of organization activities that established to provide a service such as examining, evaluating and monitoring organizational internal control systems for better performance of an entity as whole. This basic meaning focuses on monitoring role as main basic function of organization internal audit.

Ramazanoglu & Holland (2002), defines internal audit as a systematic approach which aims at analyzing all business problems that may face, that is any breakdown or malfunction of different activities, company policies and procedures, and non-compliance of different rules and regulations. It also concern with assisting the prevention of fraud and error through examine and monitoring the efficiency and effectiveness of organization internal control. And therefore (Ramazanoglu & Holland, 2002) conclude that, active internal audit will help organization to detect errors at the earliest stage and be able to find solutions towards those errors immediately.

IIA (2009), describes internal audit as an independent service that designed to add value to an organization through giving objective assurance and consulting services that will
improves organization performance. Being independent it assures achievement of organization goals because it carries out its functions by follow a well-designed system that evaluates and improves overall organization systems that is its internal control, governance process and effectiveness of business risk management.

Karagiorgos, Drogalas, Pazariskis, & Christodoulou (2010), conceptualize that internal audit covers not only consulting role in good corporate governance and effective control of organization internal systems but also it deeply looking on the effectiveness of risk management programs in an organization.

Furthermore, (Hayes et al, 2005), describe internal auditors as ones employed by individual companies to inspect and examine the appropriateness of business operations for its management. It supports the facts that organization needs to establish active internal audit as it serve as a mechanism to monitor businesses operational efficiency.

On another hand, (MIA, 2008), describes internal audit as independent activity that is established by management so that it can review overall internal control systems. It mainly concerned with inspect, appraise and report on the accuracy of organization internal control by effectively giving feedback on proper use of organization resources. For MIA the main factors that internal audit should possess is; independence, adequate planning, good communication, having quality staffs, continuously training staffs, maintain due care when undertake their activities, proper examination of organization control system and adequate reporting.

Accordingly, there are no limitation put upon the extent of internal audit, as it varies among companies due to its size and structures in a particular industry along with its objectives and scope towards internal audit.

2.1.2 Element of Internal Audit

According to (Millichamp, 2008), internal audit has the following elements in an organization

2.1.2.1 Independence

For effectiveness of internal auditor’s work then, the audit should be of high independence, so that it can assures the work of internal auditor and permits proper
performance on their daily activities through having strong objectivity and integrity, as independence assures high quality of audit output.

2.1.2.2 Staffing
Internal audit department should have adequately enough skilled and component staff with potential grades and experience. This is important because will make auditors to obtain and maintain all the knowledge necessary for their daily duties and assures that they updated to environment changes.

2.1.2.3 Relationships
Internal audit should raise a productive way towards effective communication, as mutual understanding between staffs in an organization is the main goal. Smooth communication enables internal audit to reach its targets that is giving reasonable assurance and consulting services.

2.1.2.4 Due Care
Millichaps suggest that internal auditor’s must act just like external auditors in the manner that, they need to undertake their activities with high professional due care, possess high level of skills which will lead them to an appropriate judgments. But also they should technically update themselves often, so that they work accordingly to environmental changes, be ethical, honest and make sure they meet all required standards that are issued from a professional body just like external auditors.

2.1.2.5 Training
Usually for better result (output) from internal auditors then, organization should continuously providing training to internal auditors so that they can be up dated and have great ability to act accordingly with their daily changing environment.

2.1.3 Internal Audit Scope and Objectives
ISA (610), according to this ISA the internal audit objective and scope can vary according to size and nature of particular organization, management requirements and
those who are charged with the governance. In this standard internal audit operates on the following areas/scope;

Monitoring of internal control, management are responsible for establishment of proper organizational internal control systems, and it’s their duty to assign internal auditors to oversees and evaluate the operations of that control systems. Also it is a duty of internal auditors to give recommendations towards the systems when necessary or whenever appropriate when their system failure or error.

Examination of operational and financial information, it is a duty of internal audit to check if transactions, balances and organization procedures are being correctly followed. This help to know if organization is on the right track or not, and if not what are the obstacles and give recommendations and solutions accordingly.

Review of operating activities, internal audit may be assigned to review the economy, efficiency and effectiveness of operations and of the functioning of non-financial control of the entity. And this is done to make sure if what organization plan to achieve with their strategies are going in the right way or not and if not what are the obstacles and provide consulting role on how they can overcome those obstacles or eliminate them accordingly.

Compliance review, internal audit must ensure that it frequently review all necessary compliance that is laws, rules, regulations, external and internal requirement and all other directives and adhere in a particular environment. In this way organization will be able to avoid problems that may arise as a result of not obeying laws, rules and regulations that have being established or changed from previous one in a particular environment.

Risk management, the obligation of identifying and evaluating significance of risks is upon internal audit department, and it’s their duty to come up or give recommendations on the improvement of organization control systems and risk management for better performance of an organization as whole.

Governance, the internal audit can evaluate how activities are governed within an organization, through overseeing if there is accountability, commitment, good
communication, organization ethics and values are being followed by all members within an organization or not, and if not then, propose a way on how things should be governed.

Sawyers (2012) pointed out that internal audit, must be there in a company to make sure and assist all members to effectively and efficiently discharge their obligations, through providing them with appropriate analysis, evaluation, contributions and giving the relevant information’s concerning the activities reviewed by them (internal auditors).

2.1.4 Overall Activities of Internal Auditor.

Sawyers (2012), outlined the following duties of internal audit so as to attain the overall objectives as;

Integrity and reliance review on financial and operation information, internal audit needs to check if financial and operational information’s are reliable by reviewing the means used to come up to that information through identifying, measuring, classifying and reporting on those information. As this will increase the credibility of their work and will help an organization to analyze their activities and know if they’re in right track or not towards its achievement of organization goals.

Compliance evaluation, it’s a duty of internal audit to make evaluation on compliance issues that is to check if policies, laws, rules and regulations which have significant impact towards organization operations are being complied by all members in the organization, and if not complied by members then to find out what made them not complying, is it because of system established or other things; and then be able to come up with alternative solution that will make organization members to comply with what organization have establish.

Reviewing organization assets, internal audit needs to review the means which organization assets are protected, and appropriately be able to confirm its existences. Therefore strong authorization must be there in order to make sure only authorized personnel are allowed to use particular organization assets, the use of passwords and other necessary safeguards should be in place.

Assessing the efficiency and economy of organization resources. This is very important because if there is no proper control towards organization resources then, it will be very
difficult for the organization to attain their goals. Hence proper control of resources should be there for organization to achieve its desires.

Assess operations or programs established by organization and see if the outcome is matched with desired organizational goals and if their being undertaken according to organization plans; and if not find out what is the cause and how organization can overcome it and when it is possible to eliminate it completely.

2.1.5 Definition of Risk
Risk has been defined by (Robertson & Louwers, 2001), as a likelihood chance that an action/event may occur in particular activity and adversely impact company’s objectives/goals.
Treasury Board of Canada (2002), risks are events or outcomes that occurs in the future that company where uncertain if those events will occur; and usually they are potential to influence non-achievement of organization goals.

2.1.6 Types of Risks
Guides (2014), identifies the following as risks types that organizations are likely to face;

2.1.6.1 Financial Risks
These refers to risks coming from how organization is financed, this includes the long terms debts and equity or shareholders’ funds that are applied in financing the fixed assets of a company. The development risks, investment risks, and business risks are also included in financial risk. Examples of financial includes the following; Liquidity risk, which refers to all potential risks that an organization is likely to face when it has less liquidity to offset /fulfill all the current liabilities it has. This means there is mismatch between the inflows and outflows which will result an organization having insufficient cash or bank balance and organization may have illiquid asset that cannot be converted into cash quickly; Credit risk, this is the risk that result from an organization operate on credit basis. This risk may occur if the debtors are not pay their obligations when they fall due and hence will affect the organization day to day operation as organization will not obtain cash as planned and therefore laid them also
delaying on other payments and sometimes requires them to find finance from other sources which will increase burden of debts to the organization.

2.1.6.2 Compliance Risk
These risk arises from non-compliance of applicable laws, rules and regulations. This can be either by breaching laws, rules or obligations or not follow reporting framework. For example there is new law, standard or regulation introduced or the existing ones have been changed which may have impact on organization, failure to adhere to those changes may attract fines and penalties to the organization and sometimes requires the organization to shut down its business. Organization face these risks since they operate within legal and regulatory parameters as responsible corporate citizens.

2.1.6.3 Operational Risk
This refer to a risk that arises when there is changes in operation of the business it can either be due to economic changes, technology change or other change that requires the organization to make amendment in its operation for better performance of its activities. For instance if there is technology changes that will adversely affect the organization then organization need to take measure to that situation, but also technological risk also creates opportunities for business as it provide opportunity to innovate and advance its system in line with changes in the market.

Apart from those risks, (Sawyers, 2012) identifies the following components as audit risk or audit risk mode; *Inherent risk*, which refers to the vulnerability of a financial statement to be misrepresented by either an error or omission, mainly caused by absence of internal control policy and not by other factors like default control system. It is the risk that intrinsic to the organization. For example a complex assessment for income or an allowance is more likely to contain clerical error than a simple one.

*Detection risk*, this includes all risks which appears as a result of failure of a responsible auditor to detect and identify the material misstatement existing in an assertion during auditing of financial statements. These risks most occurs when an auditor decides not to examine 100% of the balances or transactions due to time and / or due to other uncertainties.
Control risk, these includes all risks facing an organization as a result of internal control system failure. The content misstatements of financial statements under this category, occurs as a failure of internal control system to detect and to prevent it from happening.

2.1.7 Definition of Risk Management
Agrawal (2009), defines risk management as an overall human approach and process involving several activities such as risk identification and recognition, risk assessment procedures, risk strategies development and implementation of risk mitigation activities via the given managerial resources.
Tourism Queensland (2005), defines risk management as a procedure which consist well-structured steps applied in identifying potential opportunities, how to exploit the said opportunities effectively while avoiding and keeping all viable losses minimum by applying different techniques to improve the organizational performance, quality and productivity in their operations. Through risk management, organization are likely to improve their strategic and operational decisions as it better improves its forecasting abilities in risks and find out better ways to handle the potential risk impacts.

2.1.8 Risk Treatment/Mitigation.
According to Accounting and Reporting Charities (2004), organization needs to take into account all necessary actions that can be used to reduce risks for all major risks identified (both by reducing the probability of the risk event to occur and by minimizing the impact of the risk if the said risk event occurs). The following are example of possible actions that organization can undertake in mitigating risks; the risk may be avoided by stopping to perform a certain activity (for example stop working in particular risk area), risk can also be shifted to another entity or can be shared with others (individuals/entities), but also organizations can plan how to counter risks (for example by developing a reserve account to counter loss of income), nevertheless risks can be reduced by well designing and developing internal control system that can help in detecting and preventing the risks from happening and also risks can be insured for instance can be insured against theft and fire.

Diafra (2002), talks about the four T’s the general tactics to consider when responding to a risk, and the main objective will be to make sure that risks does not grow into an
issue and when possible threat should be realized. Therefore organization may choose one of the following general tactics (4T’s)

Transfer of the risks, means the risk is passed to the third party. This can be achieved through conventional insurance policy or by entering in a contractual agreement by third party to be liable of handling the risks or by outsourcing the particular function or activity that is likely to be exposed to risks, especially those risks with high impact that cannot be accepted and terminated due to the importance of the activity that is exposed.

Toleration of the risk, this means risks are known and accepted by organization at a certain level. Therefore it becomes unjustifiable / meaningless to deal with such risks since the cost involved in making and taking corrective measures may be high compared to the importance and benefit gained from the activity. A strategic action here is to accept the risks while observing it in a close manner to ensure the risk’s probability to occur and impact are relative low. Observing such risks is important as this tactic is never permanent, in case of increasing of the probability and impact of such risk to occur, the management has to change to other tactics such as treat and transfer.

Treating the risk, means reducing the particular risk by lowering the probability of the risk to happen and reducing the impact of the risks by developing strong control system and procedures such as staff training, quality control, facility maintenance and developing contingency plans to be followed when such risks occur. Main reason behind treating the risks isn’t really to end the risks in many cases, but to bound it to set in train an arranged arrangement of moderating activities to cover the risks to an acceptable or reasonable dimension;

Termination the of risk, means we stop using a certain process or activity, this happens when there is no much time for other treat measures, or no other suitable treat measure can be applicable while the likelihood of occurrence of the event is high and the impacts are very high that might significantly damage the entire project. For example, the impact of using a certain chemical in the environment the treat would be to completely ban that chemical, but also new technology can be used to remove or solve different risks that exist previously in the environment.
2.1.9 Involvement of Internal Auditor in Risk Management.

The major internal auditing role towards risks management in an organization is to analyzing, appraising and expanding the organizational risk management effectiveness by offering objective consultancy, advice and assurance to both top management and all employees involved in governance and risk management processes and activities (IIA, 2009). However the internal auditors can expand their involvement in risk management to include their further activities compared to that of traditional one which was only concerning with providing objective assurance (Kertali & Tahajuddin, 2018). Nevertheless (Fraser & Henry, 2007), also argues that there is an increasing involvement of internal auditors plus the audit committee in the management of risks in relation to their activities, as their involvement increase the demand of redesigning and adequately arrangement of internal audit plans which will make them to be effective in their work.

Conferring to (IIA, 2009), it delegates the involvement of all internal auditors in managing risk in an organization by resuming three categories of roles of internal auditors in risk management process of an organization. In the following table below, the list of activities to be performed by internal auditors are shown, and in each list will describe its specific roles. According to IIA, the first row of the table shows assurance activities which are considered as the main core of internal audit role in risk management, which aims at providing objective assurance to the management and those who are charged with governance on the effectiveness of how risk is managed within an organization. The second row shows the roles within safeguards, which represents the consulting services that internal auditor can provide regarding risk management in the organization; safeguard is there in order to make sure that internal auditors operates properly without intervene or compromising their nature of work. And the last row, shows the restricted roles that internal auditors should not perform because can harm their independence and objectivity which is considered as a backbone of the auditor.
Table 2.1. The Role of Internal Auditors towards Risk Management

| Main internal audit roles towards ERM | - Providing reasonable assurance on risk management process.  
|                                      | - Evaluating organization risk and provide assurance upon its evaluation.  
|                                      | - Assess the risk management process  
|                                      | - Reviewing the major risks that management faces.  

| Internal audit roles with regard to safeguards. | - Assisting in identification of organization risks and its evaluation.  
|                                                | - Organizing organizational risk management activities.  
|                                                | - Combining all risks reports as one report.  
|                                                | - Improving and maintaining the organization risk management framework.  
|                                                | - Formulating different risks management strategies for management approval.  

| Roles of internal audit should not undertake | - Should not imposing in risk management processes.  
|                                            | - Management assurance on risks.  
|                                            | - On risks responses internal auditors should not taking any decision upon those response.  
|                                            | - To not work on behalf of management in the implementation of risk responses.  

Source: IIA (2009)

Bagshaw (2002) suggestions on managing risks is that, it is not internal audit obligation to be much concerned with risk management, but in most cases management requires internal audit to play out the functions which implies that the contribution of internal auditors in daily organization activities, of which can impede the objectivity of the auditor. Therefore to solve this situation numerous extensive organization have separate their function (management risk function) and what internal audit needs to perform, and so their duty will be to assist management functions through providing reasonable
assurance on the appropriateness of organizational internal control and risk management effectiveness, improves the means which risks are recognized and managed, but also giving recommendations on operational control systems designed by management and be organizer in guiding management and other staff in self-assessment process or through leading a workshop.

2.1.10 Theories of the Study
There are different theories that have been used over the years in the literature of internal audit to justify the position and relevance of internal audit in the organization, and to explain different roles and functions of internal audit within an organization; particularly in internal control and risk management (Kertali & Tahajuddin, 2018). In this study, the researcher reviewed two theories that is Institutional theory and Stewardship theory.

2.1.10.1 Institutional Theory
This theory elaborates and explains the way changes induced by institutions’ pressures shape organizational practices, functions and the structures. Also the theory is considered to be a reliable basis in describing social world in similar way to a group of institutions that are based on set of rules, practices and structures as well as examine the compliance of people with those regulations (Lawrence & Shadnam, 2008). According to this theory the organizational structure is depending on normative factors which includes laws, functions and regulations.

Moreover this theory has many implication relating to internal audit, particularly in an organization that are exposed to high level of risks, where organization are considered as institution that is in the process of managing risk, where it can establish internal audit department as a compliance to some laws or standards and regulation in overseeing the business risks. Therefore this theory gives a constructive relationship between the level of risk an organization is exposed to and the internal audit performance as a profession and as a function, (Kertali & Tahajuddin, 2018). The theory is included in this study as it lays a good base on understanding internal auditing and its functions, its scope and relations to other organizational units, departments and functions such as risk management.
2.1.10.2 Stewardship Theory

The theory is used much in internal audit studies as it is designed well to explore the presence of the relationship between executives in organizations who acts as Stewards and very motivated to perform their duties in the high interest of the Principals, (Davis & Donaldson, 1991). The theory identifies the situations and areas of which the interest of the principal can be compatible with that of steward. For instance (Ebimowe & Binaebi, 2013) elaborated that auditing existence is an outcome of the stewardship concept and stewardship accounting and it is from there where it recommends that auditing enhance appropriate reporting.

Implication of the stewardship approach in an organization is of many advantages and relevance as it enforces various changes within an organization, since the theory plays a significant role in ensuring accountability in monitoring activities, auditing and reporting functions for the better achievement of organization objectives (Cribb, 2006). Therefore the theory supports the study in context of roles of internal audit in managing organizational risk as internal auditors are considered as stewards working on behalf of their principal who are the management in managing risks.

2.2 Empirical Literature Review

In this particular part, a presentation of past related literature and past published studies that are significant and related to the problem under the study are presented. And therefore this section provides evidence of the study from previous researchers.

Drogalas & Siopi (2017), conduct a research on risk management and internal audit; in their study they investigated the effects of internal audit on effective risk management. Their results gives proof to the existence relationship between the two variables (internal audit and risk management). In their research, they assessed the influence of internal audit as a function, internal auditors as key personnel and the value added from the implemented internal audit function on risk management. The findings revealed that there is a significant relationship between the variables (the internal audit function, the internal auditors’ presence and the value added from the internal audit) that affects risk management strategy and processes of a given organization.
Abdullatif & Kawuq (2015), conducted a study on the internal auditing roles in management of risk in an organization (Jordan Banks) and they found that roles of internal audit at Jordan banks was very limited in risk management. The risk that internal auditors were mostly engaged with were those of consistence while most risks that are change rapidly due to being affected with economy and culture of Jordan Banks were not overseen by the internal auditors. Nevertheless it was reported that a large number of respondents undertook some improper roles in managing risks, and in their discoveries they proposed that there is plausibility that internal auditors did not know about the significance of the different kinds of risks and their respective roles as internal auditors in risk management planning and process in general, and consequently they presume that there is a need of expanding attention to these critical issues.

Chamber, (2008), has mention internal audit as the important source of objective assessment and assurance, and once it operates independently of the management line, it always serve as a good challenger and influencer of the organization’s risk management and control. This promotes hitting entity’s interests as internal audit will have monitored the probable board’s imbalance of the organization interests.

Dabari & Saidin (2014), conducted a research study in Malaysian listed companies, according to their study, effectiveness of internal audit function has a significance positive relationship with organization risks management implementation. In their study it clearly shows that effective internal audit is designed and anticipated to review the major risks in order to contribute to the achievement of organization objectives and positively influencing organization risk management along with good governance; as the functions together form a strong basis and framework to deliver and attain accountability and high performance as stipulated by the organization objectives. As we know corporate governance it incorporates a system of which organization are directed, supervised, controlled and managed towards achieving the organization goals. From this view; internal audit roles with regard to risk management needs a proper system that can ensure organization goals are reached, and ensure internal audit promote adherence of good corporate governance as both improves the performance of organization in achieving its objectives in the environment of risks.
Also in a report of public authorities and other bodies (2015/2016) by CAG highlights major issues which were considered to hamper the performance of PA&oBs. Those findings were considered significant to be brought to the public, relevant authorities and the management of audited entities for the instant action to ensure efficiency and effectiveness in their operations. The highlighted issues were such as declining in the investment income for NSSF, PPF, PSPF and LAPF due to poor management of their investment portfolios. Other inefficiency management has been noted to TCRA, UDSM, TPA, TPDC and TANESCO. According to that report, the Underperformance of these organizations and others of these natures are due to poor management, which arose due to lack of standards and guideline which are to be established and restructured by the internal audit units within a respective organization. A viable Internal Audit is required to evaluate on the soundness, proper and effective use of bookkeeping, money related transactions and operational controls within the organization by performing deliberate survey, announcing of the sufficiency and adequacy of the administrative, monetary, operational frameworks and budgetary controls.

Ahmad & Taylor (2009), conducted a research on the internal audit effectiveness in Malaysian public sector. Their study involved the examination of 200 questionnaires that were circulated to the heads of internal audit departments and other regular internal auditors and staff of internal audit divisions from different classification of public sector offices. Generally, from the questionnaire examination it was discovered that absence of audit staff is the major issue and must be observed by in order to obtain a successful internal audit. As per this study, it is very important to ensure an organization has an effective internal audit as a control measure, and this can be achieved by advocating good governance and involving the audit advisory group efforts and recommendations in strategic management of the organization.

Wangai (2006), observes that risk management isn’t only the duty of the executives, for risk management to be compelling it must be objectified by each individual in the company, risk management must turn into an incorporated piece of the company culture and risk creators and risk takers must be risk managers. This is on the ground that we as whole oversee chances deliberately or unwittingly but rarely systematically.
Millichamp (2008), argued that the major reason for providing auditing services is to counter challenges that are caused by the daily work undertakings and increasingly service demand from organization concern through the internal control system, where the internal audit function is there to identify the challenges, manage the challenges and to implement the control activities and help to mitigate/eliminate different risks that business may face. But also (Flesher, 1996), insist that the internal audit operations should involve the monitoring and evaluation of the effectiveness of risks management system of the organization, as organization are in pressure in identifying all business risk they face; that is social, economic, environmental compliance, financial as well as operational and to find out how best they can manage/mitigate them to an acceptable level (Drogalas & Siopi, 2017).

Sawyers, (2012) explained in his study that, as business operations expands, the need of internal audit also increases. This is due to one clear fact that, internal audit is one of the major tools of internal control system. It was revealed that, internal audit is also essential in risk management process as it enables early identification of risks and provides suggestions on how to consider them. During the research, it was concluded that, any organization that lack an effective internal audit in daily business and organizational operations is likely to face high risk which may affect and damage the business in a very large extent.

2.3 Conceptual Framework

As the main objective of the study was to evaluate the roles of internal audit in the management of risks in an organization. The research had two set of variables, the dependent variable and the independent variable. The division of the variables has been explained by the conceptual diagram below.
2.3.1 Dependent Variables

From the model above, the dependent variable is risk management which is divided into three indicators that is financial risk management, the compliance risk management and the operational risk management. In this study, risk management is termed as the depending variable, since its presence is influenced or measured by the internal audit. The aim of the study was to evaluate roles of internal audit in managing organizational risks, and therefore internal audit was the factor assessed for the contribution towards the whole organization risk management process.

2.3.2 Independent Variables

Internal audit is the independent variable since it accelerate the risk management function as whole and under this study internal audit is not influenced by any factor. The relationship between financial, compliance and operational risk management together as indicators to whole risk management and internal audit as a contributing factor (independent variable) impacts the researcher with important details so as to have a convincing and appropriate conclusion and recommendations to this study.
CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction
This chapter describes the methodology used in conduction of this research study. The methodology items includes area of the study, research design, the study population, sample size, the sampling technique, and data collection methods and data analysis.

3.1 Area of the Study
The study was conducted at Compagnie Maritime d’Affetement Compagnie Generale Maritime (Tanzania) limited, CMA-CGM it is an international shipping line company that have establish its agencies worldwide, and for that reason it is researcher’s confidence that the area was worth and was convenient for the study as sufficient and reliable information was obtained.

3.2 Research Design
The case study research design was applied due to the fact that, the method is descriptive in nature and also allows broader inquiry that will lead the researcher to appropriate answers to the study objectives and questions, since the study is based on single organization.

Being the case study design researcher had an opportunity of obtaining data from valid sources including the management, accounting department and auditing department of CMA-CGM.

3.3 Study Population
The targeted population in this particular study was CMA-CGM staffs particularly those coming from audit department, accounting department and the top level officials (managers). The researcher choose these two department and managers because they were considered to be the key players in the study as they had have enough knowledge and experience on internal auditing and risks management. The total population of the study was 140 CMA-CGM staffs.
3.4 Sample Size and Sampling Techniques

The number of respondents selected from the population to represent the total population as sample was 90, and the researcher collected data from these 90 respondent out of the whole population. The researcher decided to choose this sample out of her convenient, the available time and financial status, and believed that this sample size was significant and represented the features of the whole population.

In order to obtain the said sample in this study, the researcher used non-probability method of sampling and each unit of sample was selected basing on judgmental/purposive sampling.

3.4.1 Judgmental/ Purposive Sampling

Under this technique, researcher choose the sample from the population basing on her own judgments in achieving the objectives of the research, the researcher used this technique with due skills and care in selecting the sample in order to achieve intended goals. And the sample was selected by making sure that the respondents who are selected had enough knowledge and useful insight on the specific matters of the study. Therefore the selection of the individuals as sample was based on the factors such as position, experience and responsibility of the individual respondent. The sample selected is shown in table 3.1 below.

Table 3.1: Purposive Sample size distribution

<table>
<thead>
<tr>
<th>Details</th>
<th>Total Population</th>
<th>Selected Sample</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top level officers</td>
<td>32</td>
<td>25</td>
<td>78.1%</td>
</tr>
<tr>
<td>Internal audit unit</td>
<td>48</td>
<td>30</td>
<td>62.5%</td>
</tr>
<tr>
<td>Accounting department</td>
<td>60</td>
<td>35</td>
<td>58.5%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>140</strong></td>
<td><strong>90</strong></td>
<td><strong>64%</strong></td>
</tr>
</tbody>
</table>

Source: Researcher, 2019

3.5 Data Collection Method

The researcher collected both primary and secondary relevant data during data collection phase, in order to enable her to come up with genuine conclusion and recommendations so as to impact CMA-CGM.
3.5.1 Primary Data
The researcher had gather this information from various sources during the study. The main methods (techniques) which was used in gathering these data are questionnaire, observation and interviews. The researcher decided to use this method because the methods were convenient and flexible in application.

3.5.1.1 Questionnaires
In this technique a set of written question were prepared and made available to the selected managers, accounting officers and auditing officers at CMA-CGM. The researcher prepared both open ended questions and closed ended questions so that she could drain all the relevant information needed to fulfill the research objectives. The respondents were supplied with questionnaires to fill and the answers were used to form the primary data to the study.

3.5.1.2 Observation
In using observation technique, the researcher observed and noted the action linked to the study on daily basis to understand them deeply. This method enabled the researcher acquire some extra information that were not included in the documents and also could be very hard to be obtained from the interview and questionnaires. Hence the researcher was able to know how risk management procedures are conducted practically and in details. Since the researcher was the one observing, she was able to select and collect only those appropriate and reliable data with no biasness.

3.5.1.3 Interviews
The researcher conducted face to face interview conversation with the identified respondents. The researcher conducted unstructured interviews due to its flexibility and it enabled her to formulate flow of questions depending on the response given by the particular respondent. This method is sufficient to collect reliable evidence given at limited time as it allow easy replication of information as participants are free to inquire clarification.
3.5.2 Secondary Data
To strengthen the study at hand, the researcher uses secondary data. Where the researcher was able to collect secondary data through documentation method, such as those data obtained from various organization articles and journals.

3.5.2.1 Documentation
Documentary sources review is a tool of secondary data, these materials are written by different scholars concerning the topic under study. The researcher reviewed relevant documents to the study and obtained different views about the research problem that added in her findings. The researcher read journals, books and articles that relates to the objectives of the study and specifically the one relevant to the roles of internal audit in risks management.

3.6 Data Analysis Methods
In this particular case the researcher used both qualitative data analysis and quantitative data analysis methods in analyzing information of the research findings. As expected by the researcher, the methods enabled her to generate the deep meaning and relationship of the variables under study.

3.6.1 Quantitative Method
This method focus on analyzing the meaning resulting from numbers, which results from the collected numerical data and uniform data (coded data). Statistical applications such as distribution tables, charts and graphs were utilized to clarify investigation of numerical information that was gathered.

3.6.2 Qualitative Method
This technique was appropriate for data that numbers had no meaning but also not uniform in expressing the characteristics and quality of certain things. For this case the interpretation and meanings were directly communicated through words. Only the non-quantitative information were expressed using this method.
3.7 Validity and Reliability:

3.7.1 Validity

For the sake of ensuring that the data collected during the research are valid and they present the studied phenomenon, the researcher used content and construct validity during the conduction of the study. Content validity was obtained from the well formulated questionnaires and the interview guide, which ensured all the contents to be discussed fall within the research objectives. The findings shows the contract validity was achieved as the respondents involved understood the meaning and importance of the study and hence they gave positive meaningful responses.

3.7.2 Reliability

The researcher assured internal consistency reliability through giving an introduction to the respondents prior to the data collection stage for the aim of making the respondents aware and ready to give their responses. As a result of this data, collected showed internal consistency flowing from objective to objective and relating to one another and to the research questions of the study.

3.8 Ethical Consideration

In order the study to be successful, data collection stage needed to be very well organized so as to have reliable and valid data. The researcher for the aim of ensuring ethical consideration during data collection and the study at large, had to approach the respondents first for introduction and requesting their participation so as to ensure voluntary participation and free consent of the respondents. The research had to conduct the interview at individual level and personally to each respondent to ensure each respondent has freedom of expression and anonymity. Also, the questionnaires provided needed not to provide names and personal information of the respondents so as ensure confidentiality to all respondents.
CHAPTER FOUR
PRESENTATION OF RESULTS AND DISCUSSION OF FINDINGS

4.0 Introduction
This part covers the findings of our study, starting from presenting the demographic information of the respondents to the specific data collected in respect to the each specific research objective. Both findings are presented in this chapter (primary and secondary data).

4.1 Demographic information of the respondents:

As to glue the data collected from respondents and to obtain a good basis of the discussion in this study, the researcher included a section of demographic information. The researcher herself collected these information during the interview stage and those who participated in answering the questionnaires were required to provide some general information including age, sex (gender), education level and experience in working in the finance or auditing position.

4.1.1 Response rate:

The researcher collected data from 90 respondents who works at CMA – CGM Shipping line in Dar es Salaam, Tanzania. All 90 respondents were included and involved in filling the questionnaires unlike in the interview where only 20 respondents were involved. The 20 respondents were chosen out of the 90 respondents basing on their presence, willingness and knowledge to study as the researcher could not conduct interview to all 90 respondents. The 20 respondents gave more explanations to help the researcher bold the collected data. In filling the questionnaire, all 90 respondents filled and returned the questionnaires under a good supervision of the researcher.
Table 4.0 Response rate of the respondents on questionnaires.

<table>
<thead>
<tr>
<th>Category of Respondents</th>
<th>Number of Questionnaires Provided</th>
<th>Number of questionnaires returned</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal Audit Unit</td>
<td>30</td>
<td>30</td>
<td>100%</td>
</tr>
<tr>
<td>Accounting &amp; Finance dept.</td>
<td>35</td>
<td>35</td>
<td>100%</td>
</tr>
<tr>
<td>Top level officers (Managers &amp; Directors)</td>
<td>25</td>
<td>25</td>
<td>100%</td>
</tr>
<tr>
<td>Total</td>
<td>90</td>
<td>90</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Researcher’s findings (2019)

4.1.2 Gender of the respondents

In filling the questionnaires, respondents were required to state their gender as to help the researcher to understand the composition of the respondents. From the table below, male respondents were 61 (which equals to 67.8%) and female respondents were 29 (making 32.2%) of all respondents. Despite the two side varying, this is evidence that both genders were included in this study.

Table 4.1 Gender of the respondents

<table>
<thead>
<tr>
<th>Category</th>
<th>No. Respondent</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>FEMALE</td>
<td>29</td>
<td>32.2</td>
</tr>
<tr>
<td>MALE</td>
<td>61</td>
<td>67.8</td>
</tr>
<tr>
<td>Total</td>
<td>90</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Researcher’s findings (2019)

4.1.3 Age of the respondents

The researcher also indicated a part of age in the questionnaires but as a result of many people regarding age as a personal matter the researcher decided to ask respondents to choose a group range of age were one belongs and not stating exactly age years.
Table 4.2 Age of the respondents

<table>
<thead>
<tr>
<th>Age Group</th>
<th>No. Respondent</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>BELOW 25 YEARS</td>
<td>13</td>
<td>14.4</td>
</tr>
<tr>
<td>25-35 YEARS</td>
<td>14</td>
<td>15.6</td>
</tr>
<tr>
<td>36-45 YEARS</td>
<td>42</td>
<td>46.7</td>
</tr>
<tr>
<td>ABOVE 45 YEARS</td>
<td>21</td>
<td>23.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>90</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: Researcher’s findings (2019)

From the table above, majority of the respondents (42 respondents) who equals to 46.7% belong to the age group of 36-45 years. Other 21 respondents who makes 23.3% of all respondents are aged above 45 years old, followed by 14 respondents (15.6%) who are aged between 25-35 years of aged. Lastly, 13 respondents (14.4%) are aged below 25 years.

4.1.4 Education level of respondents.

Depending to the nature of our study, the researcher required respondents to indicate the education level so as to justify their understanding towards the phenomenon. Also due to the positions of the respondents, it was clear that, the respondents were either graduate and/or above. It was found that 54 respondents who makes 60% of the total respondents have attained bachelor degree or its equivalent leaving the 36 respondents (40% of the total respondents) who have master degree its equivalent and above.

Table 4.3 Education level of respondents

<table>
<thead>
<tr>
<th>Education Level</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>DEGREE OR EQUIVALENT</td>
<td>54</td>
<td>60.0</td>
</tr>
<tr>
<td>MASTERS AND ABOVE</td>
<td>36</td>
<td>40.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>90</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: Researcher’s findings (2019)
4.1.5 The working experience of the respondents.

It was revealed that, 41 respondents (45.6%) have an experience of 8-11 years working in shipping line in Tanzania followed by 19 respondents (21.1%) who have an experience of 4-7 years working in the shipping industry. 14 respondents who equals to 15.6% of all respondents have an experience of less than 3 years ahead of the 10 respondents (11.1%) who have been working in the industry for 12-15 years of experience. Lastly, 6 respondents (6.7%) were the most experience having 16 years and above of work experience. The researcher included this part, so as to ensure these respondents have enough knowledge on the risks involved in the industry and how internal audit play part in the said risk management process.

Table 4.4 Working experience of the respondents

<table>
<thead>
<tr>
<th></th>
<th>No. Respondent</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>LESS 3 YEARS</td>
<td>14</td>
<td>15.6</td>
</tr>
<tr>
<td>4-7 YEARS</td>
<td>19</td>
<td>21.1</td>
</tr>
<tr>
<td>8-11 YEARS</td>
<td>41</td>
<td>45.6</td>
</tr>
<tr>
<td>12-15 YEARS</td>
<td>10</td>
<td>11.1</td>
</tr>
<tr>
<td>16 YEARS AND ABOVE</td>
<td>6</td>
<td>6.7</td>
</tr>
<tr>
<td>Total</td>
<td>90</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Researcher’s findings (2019)

4.2 The roles of internal audit in operational risk management:

The main target of this objective was examine the role of internal audit in managing all operational risk in the shipping industry, a case study of CMA-CGM. CMA-CGM being one among the giants shipping line operating in the Tanzania faces a lot of risks in its operations, therefore the researcher was able to evaluate the role of internal audit towards the management of the mentioned risk.

4.2.1 Operational risks that CMA-CGM and the industry face:

To open the page, the researcher first wanted to understand the possible operational risks that the industry (Shipping line) is likely to face. This would assist the researcher to maintain internal consistency of the data collected. In shipping industry there are
plenty of operational risks as result of daily business operations. Respondents were asked during the interview to point out possible operational risks. The interviewee’s revealed that, technological changes and actions of the governing authorities are the main source of operational risks that disturbs the industry at large. Respondents revealed their concerns especially to the unexpected governing authorities’ actions that are imposed with no involvement of the shipping companies. During the interview the following statement was given by a respondent to bold the argument:-

“Our operations face several disruptions and changes daily, due to these authorities operating without involving us shipping lines as one of the important stakeholder in the industry. Recently, we have been ordered to stop charging delivery order fee (DOF) which was the main source of income to shipping lines”.

A part from those risks, other risks that were given out by respondents where economic changes, world market fluctuations, foreign exchange risks and political affairs and relations risks.

4.2.2 Internal Audit review and report on operational activities

Respondents responded from the likert scale question which needed them to state their stand on the roles of internal audit. In responding to the statement, Internal audit reviews and reports on operational activities of the company, 40 respondents (44.4%) agreed on the statement 29 respondents (32.2%) were neutral on this, 13 respondents who equals to 14.4% disagreed. With the rest, 5 respondents (5.6%) strength disagreed while the remaining 3 respondents (3.3%) strongly agreed.

Table 4.5 Internal audit review and report on operational activities

<table>
<thead>
<tr>
<th>No. Respondent</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>STRONG DISAGREE</td>
<td>5</td>
</tr>
<tr>
<td>DISAGREE</td>
<td>13</td>
</tr>
<tr>
<td>NEUTRAL</td>
<td>29</td>
</tr>
<tr>
<td>AGREE</td>
<td>40</td>
</tr>
<tr>
<td>STRONG AGREE</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td>90</td>
</tr>
</tbody>
</table>
From the interview, respondents showed to agree on the statement by insisting that it is the role of internal audit to review all operation activities and reports back to the management about its functioning and performance. An interview explained:

“It is hard for each department and unit to provide a fair view of its operations, so internal audit comes in between to ensure a fair and true view of the operations in all activities and departments is provided”.

4.2.3 Internal audit reviews and reports on the reliability of operation systems.

Respondents were required to provide their views on the statement so as to help the researcher fulfill the research objective. Majority of the respondents showed that internal audit ensures reliability of the operation system by reviewing the system and reporting the results. 36 respondents (40%) agreed on the statement, 22 respondents (24.4%) were neutral and 13 respondents (14.4%) disagreed by arguing that they don’t see the advantages of rely on internal audit work only as they sometimes internal auditor do give false information as a result of threat from top management for disclosing a given information. The remaining 19 respondents also differed, 10 respondents (11.1%) strongly disagree and their reason for disagree was likely the same with those respondents who disagreed while the other 9 respondents (10%) strongly agreed to the statement.

**Table 4.6 Review and reports on the reliability of operation systems.**

<table>
<thead>
<tr>
<th></th>
<th>No. Respondent</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>STRONG DISAGREE</td>
<td>10</td>
<td>11.1</td>
</tr>
<tr>
<td>DISAGREE</td>
<td>13</td>
<td>14.4</td>
</tr>
<tr>
<td>NEUTRAL</td>
<td>22</td>
<td>24.4</td>
</tr>
<tr>
<td>AGREE</td>
<td>36</td>
<td>40.0</td>
</tr>
<tr>
<td>STRONG AGREE</td>
<td>9</td>
<td>10.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>90</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: Researcher’s findings (2019)

During the interview, one of the respondents elaborated more by explaining how the environment was back in the days. The respondent said:-
“Before we introduced the internal auditing unit here (CMA-CGM) we used to go blind on the reliability of our operation systems. The only chance to review them was when during an investigation if so occurred; and as you know investigation are rare, and when they happen means we are already suffering from the risk”.

4.2.4 Internal audit checks the consistence of operation activities:

From the responses given during the interview, it shows that internal audit functions include checking the consistence of the operational activities towards achieving the organizational objections. It was revealed that, since internal audit is carried out frequently and periodically, it is easy for it to check the consistence level of all the operational activities. A respondent evidenced the situation by saying:-

“…..unlike those days without internal audit unit here in CMA-CGM, nowadays we are able to improve several operational activities as a result of getting to know the consistence and reliability of the said activities”.

Furthermore, respondents were given a question on the statement and were required to give their stand. 56 respondents (62.2%) agreed that internal audit checks the consistence of operational activities while 30 respondents (33.3%) were neutral leaving the remaining 4 respondents (4.4%) who strongly agreed on the statement. No respondent disagreed to the statement, which shows how accurate the role is in regarding the management of operational risks.

<table>
<thead>
<tr>
<th>Table 4.7 Internal audit checks consistence of operation activities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>No.</strong></td>
</tr>
<tr>
<td>NEUTRAL</td>
</tr>
<tr>
<td>AGREE</td>
</tr>
<tr>
<td>STRONG AGREE</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

Source: Researcher’s findings (2019)
4.2.5 Internal audit checks the integrity of operational activities:

From the filled questionnaires, 51 respondents (56.7%) agreed on the statement, 29 respondents (32.2%) were neutral regarding the statement and remaining 10 respondents disagreed in which 8 respondents (8.9%) disagreed and the remaining 2 respondents (2.2%) strongly disagreed.

<table>
<thead>
<tr>
<th>No. Respondent</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>STRONG DISAGREE</td>
<td>2 2.2</td>
</tr>
<tr>
<td>DISAGREE</td>
<td>8 8.9</td>
</tr>
<tr>
<td>NEUTRAL</td>
<td>29 32.2</td>
</tr>
<tr>
<td>AGREE</td>
<td>51 56.7</td>
</tr>
<tr>
<td>Total</td>
<td>90 100.0</td>
</tr>
</tbody>
</table>

Source: Researcher’s findings (2019)

During the interview, majority of the interviewees agreed much on the statement and elaborated to the researcher that, It is difficult to check and report on the Integrity of a certain operational activity from a mere observation or study of the activity. So when the internal audit involved in checking the performance of the operational activities it have a chance to thorough check the integrity of the operational activities and reports to the management and actions can be taken to maintain and improve the activities and process.

4.2.6 Internal audit helps safeguarding organizational resources:

It was revealed during the interview that, if it is not for the presence and performance of the internal audit unit, organizational resources could be in great danger. Organizations which lack internal audit (for instance some of the private ones where it is not mandatory by law to have an internal audit) are facing high chance of resource misuse. This was evidenced by one of the respondent by giving the following statement:-

"10 years back everyone wished to work for CMA-CGM due to absence of internal Audit unit. Everyone used the organizational resources as he/she
wished and others even stole them. So we decided to restructure the organization and form internal audit unit which today in turn safeguards our resources”.

From the collected questionnaires, majority of the respondents agreed on the statement that, internal audit safeguards organizational resources of CMA-CGM: Result as presented in the table below shows that, 45 respondents (50%) agreed on the statement, 20 respondents (22.2%) were neutral and the remaining 25 respondents (27.8%) strongly agreed on the statement.

Table 4.9 Internal audit safeguards organizational resources

<table>
<thead>
<tr>
<th></th>
<th>No.</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>NEUTRAL</td>
<td>20</td>
<td>22.2</td>
</tr>
<tr>
<td>AGREE</td>
<td>45</td>
<td>50.0</td>
</tr>
<tr>
<td>STRONG AGREE</td>
<td>25</td>
<td>27.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>90</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Researcher’s findings (2019)

4.2.7 Internal audit identifies operational risk indicators at early stage:

Another role of internal audit towards operational risk management is that it identifies at early stage operational risks possible of happening and management get time to deal with it and correct and/or eliminate it. From the collected questionnaires, majority of the respondents agreed on the statement. 41 respondents who equals to 45.6% of all respondents agreed to the statement, while 26 respondents who equals to 28.9% were neutral and the rest 23 respondent (25.6%) strongly agreed.

Table 4.10 Identification of operational risks indicators at early stage

<table>
<thead>
<tr>
<th></th>
<th>No.</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>NEUTRAL</td>
<td>26</td>
<td>28.9</td>
</tr>
<tr>
<td>AGREE</td>
<td>41</td>
<td>45.6</td>
</tr>
<tr>
<td>STRONG AGREE</td>
<td>23</td>
<td>25.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>90</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Researcher’s findings (2019)
From the interview, response obtained from the interviews reveals that, the recommendations resulting from the internal audit always show the possibility of certain risks that are to affect the business as a result of a comprehensive internal audit on the operation activities, systems and control measures. Interviewees elaborated more that, the recommendations given by internal auditors on regard to operational risks specifically are always used in the next planning phase and monitoring of the risks that follows thereafter.

**4.2.8 Internal audit forecasts and evaluates operational risk:**

It was revealed from the interview that the importance of internal audit is much great to the organization as it forecast of internal possible operational risks that are likely to affect the organization in the near feature. Also it was termed as an evaluation tool upon possible operational risks in the shipping line. The researcher found that, it is through the periodic internal audits were auditors are able to evaluate the trends of operational activities and as result being able to forecast future risks likely to affect the business.

From the filled and collected questionnaires, it was also revealed the same. 58 respondents who makes 64.4% of all the respondents agreed on the statement, 11 respondents (12.2%) strongly agreed and were the remaining 21 respondents (23.3%) were neutral to affirm the agreement, no respondents disagreed at the statement.

<table>
<thead>
<tr>
<th>Table 4.11 Internal audit forecasts and evaluates operational risk</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>No.</strong></td>
</tr>
<tr>
<td>NEUTRAL</td>
</tr>
<tr>
<td>AGREE</td>
</tr>
<tr>
<td>STRONG AGREE</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

Source: Researcher’s findings (2019)

**4.2.9 Internal audit links the control system with operational risk:**

From the researcher’s observation, internal audit provides a faithful link between the control system of the company and the operational risks (both current and forecasted one). This link helps managers and the management at large to plan and control well
the operation activities while reducing and even eliminating operational risks. The researcher when receiving organizational relevant documents such as policy main documents found that, many decisions made toward managing operational risks relied on the reports and recommendations from the internal auditors. The researcher on the purpose of understanding more, asked this during the interview and many respondents agreed on it, elaborating that internal audit recommendations are mostly used and referred as strong source to rely upon and refer to when making operational decisions.

4.3 The role of internal audit in financial risk management:

This was the second specific objective of the study, aiming to assess the role of internal audit at CMA-CGM in financial risk management. CMA-CGM as an elder company in shipping, is involved with so many financial risks that if not well managed many affect the financial being of the company.

4.3.1 Financial risks that CMA-CGM and the shipping industry face:

At first, to understand the roles of internal audit towards financial risk management, the researcher asked the interviewees on the risks (financial) that are likely to affect /are affecting the company. The researcher found out that financial risks affecting the business includes credit risks, investment risks and liquidity risks. Other minor ones include theft, loss and corruption. Respondents mentioned the risks while insisting that, they risks change rapidly due to environmental changes, technological advancement and economic fluctuations.

4.3.2 Internal audit provide objective assurance of the financial statement:

Responses given from the collected questionnaires show that, the majority of the respondents agreed on the is statement, that is 41 respondents who equals to 45.6% agreed on this and 20 other respondents (22.2%) strongly agreed. The remaining 29 respondents were neutral to the statement from these responses; it is clearly that the internal audit assumes the correctness of the financial statement.
Table 4.12 Internal audit provide objective assurance of financial statement

<table>
<thead>
<tr>
<th></th>
<th>No. Respondent</th>
<th>Percent</th>
</tr>
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<tbody>
<tr>
<td>NEUTRAL</td>
<td>29</td>
<td>32.2</td>
</tr>
<tr>
<td>AGREE</td>
<td>41</td>
<td>45.6</td>
</tr>
<tr>
<td>STRONG AGREE</td>
<td>20</td>
<td>22.2</td>
</tr>
<tr>
<td>Total</td>
<td>90</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Researcher’s findings (2019)

During the interview, the researcher intended to understand more on the statement. It was also shown as in the collected questionnaires that internal audit provide assurance of the financial statement. The researcher went further to understand what the assurance is about. It was revealed that, Internal audit assures the management on the truth and correctness of the financial statement prepared. A respondents said:-

“How Internal audit acts as a counter check tool to the prepared financial statements so as to help the company and other stakeholders on the certainty of the financial position. If it was not for the internal audit, doubts would never stop on the financial statements.”

4.3.3 Internal audit guides CMA-CGM against fraud and theft:

The researcher also found out that other role of internal audit in managing financial risks is guiding the company against possible fraud and theft. Majority of the interviewed respondents agreed on this role and elaborated more by saying that, internal audit can spot rooms for fraud and theft more likely than the management, and that helps the management to be aware of it and to establish preventive mechanism towards the alerted areas. To evidence this, respondents said:-

“Here at CMA-CGM the internal audit acts as a watchdog to ongoing and future malicious activities that man cost the company. If it wasn’t for internal audit, policy we could have been long gone in this business, as the company could have obtained loss until it could not handle if anymore”.

From the collected questionnaires, it was revealed that 39 respondents (43.3%) agreed on the statement and 33 respondents (36.7%) strongly agreed on the statement. The remaining 18 respondents were neutral on this. Due to the fact that, no respondents disagreed to the statement; the researcher’s confidence on this role is high.

Table 4.13 Internal audit guides CMA-CGM against fraud and theft

<table>
<thead>
<tr>
<th>No. Respondent</th>
<th>Percent</th>
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</thead>
<tbody>
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</tr>
<tr>
<td>AGREE</td>
<td>39</td>
</tr>
<tr>
<td>STRONG AGREE</td>
<td>33</td>
</tr>
<tr>
<td>Total</td>
<td>90</td>
</tr>
</tbody>
</table>

Source: Researcher’s findings (2019)

4.3.4 Internal audit ensures reliability of the financial data.

Respondents were asked if internal audit ensures reliability of the financial data of CMA-CGM. Responses shows it does, as 45 respondents (50%) agreed and 19 respondents (21.1%) strongly agreed to the statement. They were followed by only 21 respondents (23.3%) who were neutral regarding the statement and only 5 respondents (5.6%) disagreed the statement.

Table 4.14 Internal audit ensures reliability of financial data

<table>
<thead>
<tr>
<th>No. Respondent</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>DISAGREE</td>
<td>5</td>
</tr>
<tr>
<td>NEUTRAL</td>
<td>21</td>
</tr>
<tr>
<td>AGREE</td>
<td>45</td>
</tr>
<tr>
<td>STRONG AGREE</td>
<td>19</td>
</tr>
<tr>
<td>Total</td>
<td>90</td>
</tr>
</tbody>
</table>

Source: Researcher’s findings (2019)

The findings above did not differ from that of the interview as the respondents gave the same answers. One of the respondent, during the interview gave the following statement to clarify more on this:-

41
“Just like how banks insists on the use of audited statements in the application for loans, the same is applicable to other stakeholder to the shipping business including the internal ones. After internal auditing taking place the financial data presented becomes reliable as one is assured of correctness of the data and integrity of the one prepare them”.

4.3.5 Internal audit review and reports on proper control and utilization of financial resources:

Respondents were required to response on the statement regarding the role of internal audit on reviewing and reporting on proper control and utilization of financial resources. From the interview any respondents showed their arguments to the statement. It was elaborated more, internal audit help the management and control of financial risks CMA-CGM as a result of its review and reports on the proper control over receipts and custody and overall utilization of financial resources. As a result of this, CMA-CGM management is able to control well the financial risks capable to affect the company.

From the filled questionnaires, it was revealed that more than 70% of the 90 respondents agreed to the statement. The actual response were; 41 respondents (45.6%) agreed to the facts, 23 respondents (25.6%) strongly agreed to solid the statement and only 26 respondents (28.9%) who were neutral. There were no respondents who disagreed to the statement.

<table>
<thead>
<tr>
<th></th>
<th>No. Respondent</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>NEUTRAL</td>
<td>26</td>
<td>28.9</td>
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<tr>
<td>AGREE</td>
<td>41</td>
<td>45.6</td>
</tr>
<tr>
<td>STRONG AGREE</td>
<td>23</td>
<td>25.6</td>
</tr>
<tr>
<td>Total</td>
<td>90</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Researcher’s findings (2019)
4.3.6 Initial audit improves classification and allocation of revenue and expenditure accounts:

It was found out that, through the internal audit, financial risk management becomes an easy task as the internal audit tend to improve the classification and allocation of CMA-CGM revenue and expenditure accounts. It is from the interview responses were the researcher was explained how all this happens. This statement was given by one of the top ranked respondent from CMA-CGM:

"Many people think that, internal audit has nothing/little to do with classification of revenue and expenditure accounts. In reality, internal audit assist us and the accounting department at large on so many aspects from the recommendations given out after a successful audit”.

Through financial auditing, recommendations provided thereafter can be used to improve the classifications and allocation of revenue and expenditure accounts so as to minimize and control financial risks likely to affect CMA-CGM.

The above findings were not different from those obtained from the questionnaires. From the collected questionnaires; 36 respondents (40%) agreed that internal audit improves the classification and allocation of revenue and expenditures accounts. 24 more respondents (26.7%) strongly agreed to the statement while 29 respondents (32.2%) were neutral leaving only 1 respondent (1.1%) who disagreed. With this response, It is true that internal audit at CMA-CGM improves classification and allocation of revenue account and expenditure account.

Table 4.16 Internal audit improves classification and allocation of revenue and expenditure

<table>
<thead>
<tr>
<th>Response</th>
<th>No. Respondent</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
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<td>1.1</td>
</tr>
<tr>
<td>NEUTRAL</td>
<td>29</td>
<td>32.2</td>
</tr>
<tr>
<td>AGREE</td>
<td>36</td>
<td>40.0</td>
</tr>
<tr>
<td>STRONG AGREE</td>
<td>24</td>
<td>26.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>90</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: Researcher’s findings (2019)
4.3.7 Internal audit ensures compatible of CMA-CGM financial statement to the international financial reporting statements:

Internal audit when conducted always comments on the compliance of the company financial statements to the accepted international financial reporting standards. So this made the researcher to ask on this so as to obtain the views of the respondents. Results revealed that, majority of the interviewed respondents agreed on this fact and elaborated more insisting how important it is in financial risks management. As known, financial risks are likely to affect an organization that its financial statements are not produced and prepared as per the accepted international financial reporting standards such as GAAP. Findings show that, by ensuring the compliance to international financial reporting standards, internal audit plays a great role in the managements of financial risks at large.

As predicted by the researcher, the findings above were also reflected from the filled questionnaires. Majority (above 60%) agreed on the statement that, internal audit ensures the compliance of CMA-CGM financial statements to the accepted financial reporting standards both internal and internationally. Actual response show that; 39 respondents (43.3%) agreed to the statement that required all respondents to give their views on it. 25 respondents strongly agreed to bold their acceptance to the statement and the rest 26 respondents (28.9%) were neutral leaving no one disagreeing on this.

<table>
<thead>
<tr>
<th>Table 4.17 Compliance of financial statements towards IFRS</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. Respondent</td>
</tr>
<tr>
<td>NEUTRAL</td>
</tr>
<tr>
<td>AGREE</td>
</tr>
<tr>
<td>STRONG AGREE</td>
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<tr>
<td>Total</td>
</tr>
</tbody>
</table>

Source: Researcher’s findings (2019)

4.4 The role of internal audit in managing compliance risk:

To complete the study, this objective was aiming to explore and evaluate role of internal audit in CMA-CGM in controlling and managing compliance risks. The objective was
set since one the activity of internal auditor is compliance evaluation. This objective was set to evaluate this role towards managing all compliance risks that are likely to harm the company.

4.4.1 Compliance risk that CMA-CGM face:

During the interview, the researcher aimed to point out the compliance risks that CMA-CGM is likely to face and the industry at large. Majority of the respondents pointed out the following as the major compliance risks that the industry face; changing of environmental laws, shipping laws and regulations, tax policy and internal standard procedures. The following statement was given during the interview:

“In compliance, the main challenge is the changes occurring in different laws of the country governing the shipping industry and financial matters like tax laws. We found ourselves in one race of complying to certain laws while the other ones are also changing”.

4.4.2 Internal audit provide advice on compliance risk management:

Respondents were kindly required to give out their views on the above statement if they agree or not. Results showed that, 46 respondents (51.1%) agreed to the statement, together with the 19 respondents (21.1%) who strongly agreed. The rest 25 respondents (27.8%) were neutral to the statement. No respondent that disagreed with the statement making it a proven fact.

<table>
<thead>
<tr>
<th></th>
<th>No. Respondent</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>NEUTRAL</td>
<td>25</td>
<td>27.8</td>
</tr>
<tr>
<td>AGREE</td>
<td>46</td>
<td>51.1</td>
</tr>
<tr>
<td>STRONG AGREE</td>
<td>19</td>
<td>21.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>90</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: Researcher’s findings (2019)

From the interview conducted, it was revealed that, the advice given or obtained from the audit results from the recommendations given in the auditing report. One of the respondents elaborated by saying:-
“When we audit and find out there is a lot of non-complying actions, either it is non-compliance to the law or accounting and financial accepted standards; we normally recommend on correcting the compliance level. When recommending, we point out ways that can be used to enable the company and employees responsible to comply, and I think that is free advice resulting from the internal audit towards risk management”.

4.4.3 Internal audit reviews and reports on governing laws, rules and regulation:

From the Interview, all respondents (100%) agreed on the statement and bolded it with its applicability. The respondents explained more by elaborating the auditing process. They argued that, compliance is much reviewed during internal audit, from the 1st stage of auditing until the last. A respondent argued by saying:-

“Sometimes it is hard to know new laws and policies that have been introduced to the business recently, so internal auditing always assess the compliance to the governing laws and policies with an updated eye and reports to the management. As a result, the company become aware and start complying to eliminate any possible risks likely to affect when not complying with the law/policy in practice”. The findings from the questionnaires, also reflected the same thing on the mentioned statement 46 respondents who equals to 51.1% of the total respondents agree on the statement plus other 21 respondents who equals to 23.3% who agreed fully (strong agree). 16 respondents were neutral to the statement followed by the remaining 7 respondents who disagreed on the mentioned role of internal audit. From these findings, it is certain that internal audit reviews and reports on governing laws, rules and regulations as contribution to the managements of the compliance risks at large.

Table 4.19 Review and report on governing laws, rules and regulations.

<table>
<thead>
<tr>
<th></th>
<th>No. Respondent</th>
<th>Percent</th>
</tr>
</thead>
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<tr>
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<td>AGREE</td>
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<td>51.1</td>
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<td>STRONG AGREE</td>
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<td>23.3</td>
</tr>
<tr>
<td>Total</td>
<td>90</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Researcher’s findings (2019)
4.4.4 Internal audit review and reports the internal controls and procedures:

The researcher was intending to find out, if this role of auditing is observed at CMA-CGM. According to (Karagiorgos et al., 2010), internal controls and procedures are the main tools that risks are attached to and then spread to the entire organization. If one manages well the internal controls and procedures, compliance risks cannot harm the company since the point of entry will be closed (Karagiorgos et al., 2010). With this being said, respondents from the collected questionnaires agreed that this internal audit role is appearing to be valid at CMA-CGM. 41 respondents (45.5%) agreed to the statement plus the other 29 respondents (32.2%) who strongly agreed to the view. The other 20 remaining respondents were neutral and no respondent disagreed to the statement.

<table>
<thead>
<tr>
<th>Table 4.20 Review and Report on the internal control and procedures</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. Respondent</td>
</tr>
<tr>
<td>-----------------</td>
</tr>
<tr>
<td>NEUTRAL</td>
</tr>
<tr>
<td>AGREE</td>
</tr>
<tr>
<td>STRONG AGREE</td>
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<tr>
<td>Total</td>
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</tbody>
</table>

Source: Researcher’s findings (2019)

From the interview, majority of the interviewees agreed on the statement and explaining more with occurred scenario at CMA-CGM. It was revealed that, internal control and procedures are frequently updated it CMA-CGM to keep up with the changing compliance environment as a result of internal audit recommendations, which acts as a guideline in shaping the internal control system and procedures.

4.4.5 Internal audit acts as a risk monitoring and controlling tool:

During the interview, this roles of internal audit was frequently mentioned by the respondents before even they could here from the researcher. It is obvious that, since internal auditors’ activities include reviewing company’s assets, compliance evaluation, integrity review and the assessment of efficiency and effectiveness of organization
resources and operations, indeed internal audit acts as a risk monitoring and controlling tool. The following statement was given by one of the interviewed respondent:

“*It is very easy to monitor, track and control issues of compliance and managing compliance risks through effective internal auditing, than most of the known tolls.*”

The researcher also compared the results to that from the collected questionnaires and found out that they don’t differ much out of 90 respondents, 44 of them (48.9%) agreed to this view in hand with other 31 respondent (34.4%) who strongly agreed. 15 respondents who remain were neutral on the statement. As results show, no respondent was against this view; it is clearly that internal audit play major roles in compliance risk management in the company (CMA-CGM).

<table>
<thead>
<tr>
<th>Table 4.21 Internal audit acts as risk monitoring and controlling tool</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>No. Respondent</strong></td>
</tr>
<tr>
<td>NEUTRAL</td>
</tr>
<tr>
<td>AGREE</td>
</tr>
<tr>
<td>STRONG AGREE</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

Source: Researcher’s findings (2019)
CHAPTER FIVE

DISCUSSION OF THE FINDINGS

5.0 Introduction

In this Chapter discussion of finding is presented in depth. The study findings is presented against previous literatures in order to explain the difference/deviations, correlation and consistency of the findings in this studies.

5.1 Role of internal audit in operational risk management within CMA-CGM.

In examine this objective, it was found that it is a role of internal audit to review all organization operational activities and report back to the management about its functioning and its performance at large, Internal auditor are there to ensure organization activities are undertaken according to company rules and procedures. In this Internal auditors and management have all agreed that internal audit is indeed a value adding service to the organization.

Also, it was revealed that internal audit unit of CMA-CGM management review and report on the reliability of operation systems. In this role internal auditor were assisting in creating an efficient risk management plan of an organization as they find to explore the operational risk faced or could be faced by the organization in systems operations and effectively proposing a way to overcome or eliminate the risks.

Moreover, it is a duty of Internal auditors of CMA-CGM to check the consistence or operational activities, integrity of operational activities, safeguarding organization resources, identifying operational risk indicators at early stage, forecast and evaluates operational risks and then links the organization control system with operational risks; and from this point Internal audit is regarded as a strong source to rely on and referring to when organization is making operational decision.

The finding concur with that of (Dabari & Saidin, 2014), according to their study effective internal audit has significant positive relationship with organization risk management implementation, their study clearly shows that organization that have effective internal audit is in position to anticipate and review the major risks that organization faces and actively propose solutions towards them, as the function together
forms a strong basis and framework to deliver and attain accountability and high performance as stipulated by the organization goals.

Also, the findings agreed with that of (Sawyers, 2012) to large extent. The study concludes that as business operations expand then the need of internal audit also increases and the main reason for that is because internal audit is one of the major tools of organizational internal control system, and is essential in risk management process as it identifies risks at early stage and provide or recommend a suggestion on how to consider them or to handle them. (Sawyers, 2012) insist that any organization that lack an internal audit in their daily operations are likely to face operational risks which may affect and damage the business in a large extent.

The study findings in another hand agrees with that of (Drogalas & Siopi, 2017), they conduct research on risk management and internal audit. In their research they assessed the influence of internal audit as a function, internal auditors as key personnel and the value added from the implemented internal audit function on risk management. In their findings they revealed that there is significant relationship between the variables that is the internal audit function, the internal auditors presences and the value added from the internal audit which affects risk management strategy and processes of a given organization for them risks should be managed by all staffs within a company, its duty of each and every employee in the company to make sure they manage their risk at acceptable level by taking precautions when performing their duties.

5.2 The Roles of internal audit in financial Risk Management at CMA-CGM

It was found in this study that internal audit plays a great role when it comes in managing financial risks within CMA-CGM, a big company in shipping activities. The study clearly shows that Internal auditors of CMA-CGM performing the following roles when managing financial risks; providing objective assurance on the financial statement by actively act as investigator to check if financial statement are prepared according to International Accounting Standards (IAS) and follow all necessary standards, ensure reliability of the financial data, guides CMA-CGM against fraud and theft by oversee and review internal system frequently, review and report on proper control and utilization of financial resources, review and report on the correct classification and
allocation of revenue and expenditure accounts, also ensures compatible of CMA-CGM financial statement for the International Financial Reporting Standards.

These findings are consistent with that of (Flesher, 1996), who said that “internal audit should involve the monitoring, reviewing and evaluating the effectiveness of risk management system as business are under pressure in identifying all the risks that they face that is social, economic, operational as well as financial and find a best way out to manage/mitigate at an acceptable level. Moreover the report of public authority and other bodies (2015/2016) by CAG highlights that organization needs a liable internal audit so that it can evaluate on the soundness, proper and effective use of bookkeeping and money related transaction. By performing a deliberate survey, announcing of the sufficiency and adequacy of administrative, monetary, operational framework and budget control.

Also this findings go against with that of (Abdullatif & Kawuq, 2015) who study on the internal audit roles in management of risk in an organization. In their study it was found that internal audit roles towards financial risk management was limited as internal auditors were only exposed to risk that were consistent to them while most of risk change rapid due to economic changes and culture. It was also reported that numbers of respondents undertook some improper roles in managing financial risks and proposed that there is a chance that internal auditors did not know about the significance of the various kinds of risks and their respective roles as internal auditor. The reason for disagreement with researcher findings is that, this previous study was limited to Bank industry which was conducted in Jordan therefore the risk that exist in banking industry normally differs with that of shipping industry in various ways.

**5.3 The role of CMA-CGM internal audit in managing compliance risk**

From the study findings this objective was among the most important role that internal audit unit put all of their efforts too. The reason behind is that in order to succeed in any business environment, as business you need to comply with all rules, laws, regulations and procedures that governing that particular business environment, as failure to comply with these (rules, laws, regulations and procedures) can attract fines, penalties and even can lead to a shutdown of the business. At CMA-CGM internal auditors take very
serious this issue and perform/undertake the following roles to make sure they are in compliance of all rules and regulations and how they can manage its associated risk; namely are review and report on governing laws, rules and regulations, review and report on the internal controls and procedures, acting as risk monitoring and controlling tool and providing advice on compliance risk management, the main aim of CMA-CGM to assign this to internal auditors is because they able to give objective assurance on this issue and consulting services.

From previous literatures this findings goes along with that of (Chamber, 2008) who conclude this in his study, “when internal auditors have freedom to their independence and operate independently away from management line, they can serve a good challenger and influence in the organization risk management as they are most important and crucial source of objective assessment and assurance”. This means that internal auditors will make sure they use and apply all knowledge they have to assure the achievement of organization goals are reach by effectively making an organization complying with all rules, laws and regulation that govern in that particular business environment, as this enhance smooth running of business operations.

Moreover (Ahmad & Taylor, 2009), who conducted research in Malaysian public sector concluded that, for an organization to run its operations smoothly needs to comply with all rules and procedures that are in its business environment, and not only that management also needs to be sure that all staffs within an organization follows and obey all rules and procedures of the company (internal control procedures are followed effectively). As per their study it is very crucial for organization to have effective internal audit, as internal auditors acts as a control measure to assures that business is in compliance with all rules, regulations and procedures; but also oversees company operations to see if staffs are comply with all internal rules, regulations and procedures, and if not what is the obstacles that hinder them to successful obey the procedures and according finding solutions towards it.

Therefore after the discussion above, it is clearly shown that the study findings are much likely to the past literatures (research) although there are some literature that disagree with the study findings. The reason for disagree was due to industry/area where the research was conducted, as most of past research were done from public sector and bank
industries and mostly in developed countries unlike to this study which was based on shipping industry and in developing country (Tanzania). But all in all the findings shows that there is positive correlation between research objectives and the findings of the study, and that the roles of internal audit towards risk management in an organization is of great value towards organization performance to a large extent.
CHAPTER SIX
SUMMARY, CONCLUSION AND RECOMMENDATION

6.1 Introduction
This is the final chapter of the study which presents the summary of the entire research, conclusion of the study, recommendations to different relevant organs which are derived from the early analysis of data obtained by researcher. Lastly the areas for further possible studies is pointed out.

6.2 Summary of the study
This research was conducted to evaluate the roles of internal audit as a function in risk management in an organization, a case study of CMA-CGM TANZANIA LTD. The study had three specific objectives namely; to examine the role of internal audit in operational risk management with CMA CGM T LTD, to access the roles of internal audit in financial risk management at CMA CGM T LTD and lastly to assess the roles of CMA CGM internal audit in management compliance risks.

This study was mainly concentrated on shipping industry in Tanzania, using CMA-CGM (shipping line company) as the case study. Due to the nature of the topic, respondents were chosen to represent different managers, staffs from the internal audit unit and staffs from the accounting department who in total make a number of 90 respondents. These respondents were selected through the judgmental sampling technique due to the nature of the study were provided with questionnaires to give their views and 20 of them were included in the interview.

Different theories were presented as well as previous studies were review and present in order to solid and justifying the study at hard. Moreover, in order to archive the study objectives various data collection methods were applied by researcher. Primary data were collected through questionnaires, interview and observation methods together with other secondary data collection methods such as documentary review.

The study findings were presented in descriptive form according to research study objectives and discussion was made in relations to the findings from previous studies.
The aim was to show if the findings relates or differs and the reason of difference if so occurred. Hence, in this point readers can be able to obtain a fair picture of relationship between study objectives and the findings that were discovered by researcher.

Nevertheless, the study put some recommendation to CMA CGM, internal auditors, the government and industry at large on the practical implication of roles of internal auditor in organization and its contribution towards organization performance. Lastly, the study suggested some further areas to be researched by future researchers so as to provide a clear picture on the importance of having an effective internal audit in an organization (both public and private sector) and change people’s perception towards auditing being not an important function in business operations.

6.3 Conclusion of the study

Many organization are faced with major problem on how to manage their risk at an acceptable level, as risks hinders them to reach where they want to reach, therefore risk management is an inevitable role not only to internal auditing and risk management department but to all staffs in organization. The success of risk management process in an organization is a result of collective efforts and holistic approach of the entire organization from the top management to the lower level of operations.

The findings show that Internal audit unit of CMA-CGM perform the following roles when managing operation risks, first they have to review and report on reliability of operational systems, check the consistence of operational activities rewards organization objectives, check and report integrity of operational activities, identifying operation risk indicators at the early stage, safeguarding organization resources and evaluate operational risk and forecasts.

The finding also show that internal audit unit of CMA-CGM take corrective measure and have suspicion minds when managing financial risk, the finding reveal the following roles that internal auditor performs when managing financial risk; ensuring reliability and integrity of financial data, protects against fraud and theft, review and report on proper control over receipts, custody and utilization of financial resources, provide assurance on financial statements, improves on classification and allocation of
revenue and expenditure account and assures that financial statements are prepared in the manner to complying with International Financial Reporting Standards (IFRS).

On the third objective which was an assessing the role of CMA-CGM internal audit in managing compliance risk, the findings revealed the following roles, providing advice on compliance risk management, review and report the internal controls and procedures, reviews and report on governing laws, rules, regulations, review and reports on the performance compliance.

Generally, internal audit of CMA – CGM plays on significant role in managing operational, financial and compliance risk. This is due to independence and integrity that Internal Audit have within the company. The study was successful because the researcher was able to evaluate and analyze different roles of internal auditing in managing risks as per the main objective. The study have also revealed and explained in details these roles and came up with valid recommendations on CMA-CGM, the shipping line industry, relevant stakeholders and the government. From the study findings, analysis and discussion, CMA-CGM is in the right track when it comes to manage it risks, as they always agreed to internal auditors advice and recommendations effectively, and through Internal audit organization are able to identify risks at early stage and take corrective measures against them and no wonder CMA-CGM are among successful shipping line in the world.

6.4 Practical implications of the study.

Basing on research findings, analysis, discussion and conclusion made the following are recommendations to CMA-CGM Tanzania ltd. From the findings it is clearly shown that internal audit in CMA-CGM is effective but still the top management should support more the internal auditors in career development as well as providing education to the audited department staffs so that they can understand the importance of having an effective internal audit and its impact towards organization performance. This will help to change the false perception of audited staffs towards internal auditors and hence will make internal audit to be more effective as internal auditors will be able to obtain/receive full support and cooperation from the entire company.

To Internal auditors of CMA-CGM; they should work as a team and perform their work in due care by making sure they follow all the relevant rules, procedures, guidelines and
regulations that guides their profession. In this manner they will be able to minimize risks at acceptable level or even eliminate them completely, and hence achieves their goals which is to provide objective assurance and consulting services to the organization as a whole.

Industrial wise, shipping lines should ensure that they proper acknowledge and establish internal audit units in their companies, and taking additional measure to proper maintain its effectiveness, because internal audit function adds value to the organization performance as a whole and enable the management of all the possible risks to the company.

Moreover shipping line companies and the shipping industry at large is governed by a lot of rules and regulations which requires the companies to effective comply with them. The challenging thing is that, these rules and regulations (R&Gs) are normally changing due to the nature of the business environment, economy of the country and world at large and the political motives, for instance currently shipping lines do not charge delivery order fees (DOF) as they used before, instead these DOF fees are charged and collected by TASAC who are the regulatory authority. Therefore to make sure that shipping line companies are in good working condition, an effective internal audit unit which will assure compliance of these R&Gs and therefore be able to avoid risk that would arise as a result of non-compliance of these R&Gs is inevitable.

Also, shipping industry is among the most sensitive business in Tanzania as they contribute a lot to the economy of the nation and growth of other sectors in our country. This industry is challenging because of the nature of the business itself, as it is concerned much with importation and exportation of goods. Being that the case, the government keeps all the eyes upon the shipping lines to make sure that their operations are conducted according to country laws and rules, government policies and procedures so as not to harm the stability of the economy. Therefore there is a need of having internal audit units to all these companies as they will be able to obtain objective assurance and consulting activities towards their daily operations and hence be able to achieve their desired objective in this rapid changing industry. Lastly, this industry is characterized by many powerful companies thus making competition between companies to be very stiff, therefore for companies to maintain and increase their level of profit and having fair competition between them, they need effective and efficient
internal audit unit which will act as their watch dogs in their daily operations and hence they will have smooth operations.

To the government, authorities and professional bodies like NBAA; they should put much emphasis to the public on the importance of having/establishing and maintaining internal audit unit in an organization especially in private sectors. This can be done by showing and demonstrating the advantages of having effective internal audit in an organization and its impacts and contribution towards organization performance at large, due to the fact that having internal audit in private sector companies is not mandatory. In this manner the government will be able to counter tax avoidance and loss of revenue from private sectors, and if possible the government may enforce or make it mandatory for private sector to establish internal audit units as its contribution towards organization itself and country wise is of greater value.

In another hand professional bodies (NBAA) and authorities (TASAC) should ensure that, internal auditors follows all ethical requirements, rules and procedures that guides their professional with high integrity and due care, by conducting workshops and seminars to internal auditors so that they can develop their career and solid their independence and integrity when performing their functions in an organization.

6.5 Area for Further Study

The aim of this study was to evaluate the roles of internal audit in risk management, through the findings obtained from respondents it was clearly shown that internal audit function is of relevance towards risk management, as it adds value to the organization in many different ways in achieving its objectives. But this study gives room to future researchers to evaluate on how internal audit can truly give their utmost independence despite working in the same roof with auditees. Also they can research on how management should support internal audit and auditors, as to help to come up with suggestions / recommendations on better ways that management can support internal auditors while preserve/maintain their independence in working place.

Furthermore internal auditors have different issues (challenges) that affects their operations. For instance poor support and bad perception from auditees, and lack of enough support on career development. In this case there is extensive room for further
study on assessing challenges facing internal auditors when performs their function, as this will foster effective and efficient auditing. Lastly this study was based in Dar es salaam specifically in shipping industry, further study can be carried out to other cities in Tanzania or other country and even in different industry, also it suggest that future researchers should select large number of respondents in order to increase the credibility of research findings when drawing conclusion (inferences) about the population.
REFERENCE


APPENDICES

APPENDIX I: QUESTIONNAIRE

Dear Respondent,

My name is Khamida Is-haka. I am currently pursuing Master of Science in Accounting and finance at Mzumbe University Dar es salaam Campus College. As a partial fulfilment of the requirement for the award of the masters, a student is required to submit a research report after completion of a research study. This being said, my research problem is “EVALUATION ON THE ROLES OF INTERNAL AUDIT IN RISK MANAGEMENT”. Am kindly asking for your assistance in filling out this questionnaires to enable me acquires primary data on the case study. The research is for academic purpose and the data you give will be treated as highly confidential.

I advance my sincerely gratitude for your assist and concern on this matter.

E-mail Address- miiain23@gmail.com.

Part A: Demographic data (For the purpose of statistical analysis only).

Please tick the most ideal box.

1. Age :

<table>
<thead>
<tr>
<th>Below 25 years</th>
<th>25-35 years</th>
<th>36-45 years</th>
<th>Above 45 years</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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2. Sex :

<table>
<thead>
<tr>
<th>Female</th>
<th>Male</th>
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<tbody>
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<td></td>
<td></td>
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</tbody>
</table>
3. Education:

<table>
<thead>
<tr>
<th>Graduate (Adv. Diploma/ 1st Degree)</th>
<th>Masters and above</th>
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</thead>
<tbody>
<tr>
<td></td>
<td></td>
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</table>

4. Position:

<table>
<thead>
<tr>
<th>Internal Audit unit</th>
<th>Accounting&amp;Finance Department.</th>
<th>Top level officer(Managers&amp; Directors)</th>
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<tbody>
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</table>

5. Professional certification .................................................................

**Part B: Your views on the role of internal audit in managing operational risk within CMA- CGM.**

Please circle the fitting number to demonstrate how much you agree or disagree on the below statements. Please give any additional comments where necessary/basic.

<table>
<thead>
<tr>
<th>Question</th>
<th>Strong disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strong agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Internal audit reviews and report on operational activities of the company</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>2. Internal audit reviews and report on reliability of operation systems</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>3. Internal audit checks the consistence of operational</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>activities towards organization objectives.</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>--------------------------------------------</td>
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<td>---</td>
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<td></td>
</tr>
<tr>
<td>4. Internal auditor’s checks and report on integrity of operational activities.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>5. Internal audit helps in safeguarding organization resources</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>6. Internal audit identifies operational risk indicators at early stage</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>7. Internal audit evaluates operational risks and forecasts.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td></td>
</tr>
</tbody>
</table>

Any additional comments? ……………………………………………………………
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**Part C: Your views on the role of internal audit in managing financial risk at CMA CGM.**

Please circle the fitting number to demonstrate how much you agree or disagree on the below statements. Please give any additional comments where necessary.

<table>
<thead>
<tr>
<th>Question</th>
<th>Strong disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strong agree</th>
</tr>
</thead>
</table>

65
1. Internal audit provide assurance of financial statements.

2. Internal audit protects against fraud and theft.

3. Internal audit ensures reliability and integrity of financial data.

4. Internal audit reviews and reports on proper over receipts, custody and utilization of financial resources.

5. Internal audit improves classification and allocation of revenue and expenditure accounts.


Any additional comments?

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66
**Part D: Your views on the role of CM CGM internal audit in managing compliance risk.**

Please circle the fitting number to demonstrate how much you agree or disagree on the below statements, please give any additional comments where necessary.

<table>
<thead>
<tr>
<th>Question</th>
<th>Strong disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strong agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Internal audit provides advice on compliance risk management.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>2. Internal audit reviews on the performance tools and compliance activities.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>3. Internal audit reviews and reports on governing laws, rules and regulations</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>4. Internal audit reviews and report on the internal control and procedures.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>5. Internal audit acts as a risk monitoring and control tool.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
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Any additional comments?

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APPENDIX II
INTERVIEW GUIDE

1. What are the roles of internal audit in the organization?

2. What roles does internal audit unit play with regards to risk management?

3. What are the control measures taken by CMA CGM in managing risk?

4. Does the internal audit activities impacted you positively? In what ways?

5. Name any limitation that you feel internal auditors face in doing their job?

6. What are the operational risks affecting CMA-CGM?

7. What are the financial risks affecting CMA-CGM?

8. What are the compliance risks affecting CMA-CGM?