



**ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF ACCOUNTING AND FINANCE
GRADUATE STUDIES**

**DETERMINANTS OF INTERNAL AUDIT EFFECTIVENESS: IN THE
CASE OF ETHIOPIAN AIRLINES GROUP**

**BY
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**A THESIS SUBMITTED TO THE DEPARTMENT OF ACCOUNTING
AND FINANCE, COLLEGE OF BUSINESS AND ECONOMICS, ADDIS
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OF MASTER OF SCIENCE (MSc) IN ACCOUNTING AND FINANCE.**

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DECLARATION

I, Lidiya Teshome, hereby declare that this research work entitled; “Determinants of Internal Audit Effectiveness in the case of Ethiopian Airlines Group, Head Quarter internal audit section: submitted by me for the award of the degree of Master of Science in Accounting and Finance, is my original work and that all sources of materials used for the study have been duly acknowledged.

I also confirm that the thesis prepared, in the case of Ethiopian Airlines Group, Head Quarter internal audit effectiveness through the audit work quality, the level of independence of the internal auditor, Internal control system of the organization and professional competency of internal auditor internal audit staff as a yard stick and on the same topic earlier has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

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APPROVAL

The Thesis prepared by Lidiya Teshome entitled “Determinants of Internal Audit Effectiveness; in the case of Ethiopian Airlines Group, Head quarter” has been submitted for examination with my approval as an advisor.

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Abstract

The purpose of the study was to investigate determinants of internal auditing effectiveness in Ethiopian Airlines Group. Descriptive research design was employed to conduct the study and mixed research approach applied. The population of the study was employees of internal audit department which are sixty internal auditors. The study used the whole population by using census survey. The data collected from primary and secondary source of data. The primary data was collected by distributing questionnaires for sixty internal audit staff and the interview conducted from two managers of internal audit department. And the secondary data used by referring the audit manual of audit department. The data analyzed using descriptive data analysis. The collected data analyze in tables. According to the study the findings are, the department properly prepare annual plan and there is close follow up of audited section until solved and take corrective action. And there is less cooperation of auditee section through giving information and also there is a limitation on assignment reshuffling and staff size not compatible with company size. The auditor perform their task professionally, there is limitation on giving training for junior staffs and the auditor free from management interference. And the auditors communicate the gap and noncompliance issues to section manager. And Finally, based on the findings the possible recommendations, the audited section to be more cooperate to give information for the auditor and assignment reshuffling is continuously needed and to employed additional staff as per the capacity of company size and also need to participate the junior staff on trainings.

Keywords: Internal audit, Independency, Audit quality, Internal control system and Competency

ACRONYMS AND ABBREVIATIONS

CEO	Group Chief Executive Officer
CFO	Chief Finance Officer
FAA	Federal Aviation Administration
IA	Internal Auditor/s
IAF	Internal Audit Function
ICS	Internal Control System
IIA	Institute of Internal Auditors
IND	Independency
IQ	Internal Quality
PC	Professional Competency
PPF	Professional Practice Framework
SPSS	Statistical Packages for Social Scientists

CHAPTER ONE

1. INTRODUCTION

1.1 Background of the study

The emergence of internal audit as a discipline traced to the early 1940s when the Institute of Internal Auditors (IIA) was established in 1941 at Lake Mary, Florida, USA. The first book on internal auditing, *Modern Internal auditing* was also published by Victor Z. Brink in 1942 (Moeller 2005). Subsequently, the internal audit profession has been growing globally under the global leadership of the Institute of Internal Auditors (IIA) (Soh and Bennie, 2011).

The need to effectively utilize funds on public sector was the main cause for the rapid implementation of modern audit practice in Ethiopia and to achieve this, the Office of the Auditor General (O.A.G) is formulated in 1961 by amending the office and auditors duties and responsibilities. In 1987 and onwards there were significant developments in public sector auditing systems. Besides, the coming of Proclamation No. 13/1987 empowered the Office of Auditor General to direct the internal auditors of government offices and public enterprises in three aspects that are; whether accounting records are properly maintained and reliable, whether the assets of the ministries and enterprises are adequately safeguarded and properly maintained; and whether policies and procedures laid down by top management are complied with the proclamations. (Kinfu, 1990; Lemma Argaw,2000). On July 1, 1997 the Financial Administration Regulations No. 17/1997 was issued in which the responsibility of internal audit function was transferred from the Office of the Auditor General to the Minister of Finance to develop and maintain appropriate standards of work.

Internal auditing currently plays a significant part in an organization's governance and operations. It is a vital component in helping a company achieves its goals when it is properly established, run, and managed. Internal auditing improves an organization's ability to detect business risks, process and system inefficiencies, take appropriate remedial action, and support continuous development (Institute of Internal Audit, 2010).

Internal auditing offers a foundation for rectifying problems that have gotten past the first line of defense before they become unmanageable or become visible to an external auditor (Eden and Moriah,1996). Internal auditing (IA) serve as an important link in the business and financial reporting processes of corporations. Internal audit effectiveness was defined by the Institute of Internal Audit (2010) “as the degree (including quality) to which established objectives are achieved”. Internal audit effectiveness refers to how well an internal audit office accomplishes its goals (Mihret and Yismaw, 2007).

Internal auditing is an impartial, independent assurance and consulting activity that adds value and improves the operations of a company. It assists a company in achieving its goals by implementing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control, and governance processes (Savcuk, 2007). Internal auditing was more effective in identifying business risks, process and system inefficiencies, taking appropriate remedial action, and ultimately supporting continuous improvement in organizations that used it efficiently (Institute of Internal Audit, 2010). The internal audit function has aided management in preventing bad things from happening, assuring that good things can happen, and assisting management in determining where their risks are, if they are under control, and whether they are worthwhile to take.

1.2 Back ground of the Organization

The flag carrier of Ethiopian airlines was founded on Dec 30, 1945 by Emperor Haile Selase with assistance from Transcontinental and Western Airlines (TWA, renamed Trans World Airlines in 1950). It commenced operations on April18, 1946 with a weekly service between Addis Ababa and Cairo with five Douglass DC-3 Propeller driven aircraft. Ethiopian is currently implementing a 15 years strategic plan called vision 2025 that will see it become the leading airline group in Africa with seven strategic business units. Ethiopian joined s tar alliance, the world largest airline network, in Dec 2011, Ethiopian is multi awarded winning airline including ; SKYTRAX best airline staff service in 2013 and 2016, best airline in Africa 2017, 2018,2019 and four star alliance certification in 2017, Ethiopia has been registering an average growth of 25% per annum for the past seven years.

Rapid, sustained growth is in the airline’s horizon. In May 2018, Ethiopian Airlines accelerated its expansion plans, confirming that it will order 13 additional Boeing 787s and six Airbus A350s. According to The Brookings Institution, the airline plans to invest in start-

up airlines across Africa. It bought a minority stake in Malawi Airlines in 2013 and helped relaunch Zambia Airways in January 2018. Looking forward, Ethiopian Airlines plans to jumpstart national carriers in Chad, Djibouti, Equatorial Guinea and Guinea, signaling its desire to connect not only Ethiopia but the whole African continent to the global economy.

Ethiopian provides management and technical assistance to other airlines on secondment basis by availing trained and skilled manpower in different areas relative. Additionally, the airline has an advanced maintenance base that is fully operational for engine overhauls, component repairs and overhauls, light aircraft maintenance and technical support, and management assistance for other airlines. This base can perform airframe maintenance up to D-Checks. The US- Federal Aviation Administration (FAA) has granted the maintenance base its certification.

Thought-out the years of decades Ethiopian airlines has been designing and implementing different strategic plans and reviewing to update for its succession plan of 2035, internal auditing has been back bone for its succession of Ethiopian airlines. For the secession of Ethiopian Airlines, internal audit department has its own great role. The internal audit department of Ethiopian Airlines has one Vice president and Director of internal audit and two managers. The two managers having around 60 employees, this department audit the Ethiopian airlines different offices in Ethiopia and abroad Ethiopia.

1.3 Statement of the problem

Internal audit is an important function in any organization that has a positive effect on the quality of financial reporting, good government governance, & quality financial reporting has a positive effect on good government governance(Rahmatika,2013). Internal audit is a crucial component of a company's internal control system that the management uses to monitor the effectiveness and correct application of other existing internal control systems. If may fail to identify or avoid gaps in other areas of the internal control system that could cause the organization to fail due to weak internal audit performance. Kaplan (2007).

Effective and efficient performance of the internal audit can significantly contribute to the overall company profitability by preventing the misappropriation of company resources where by minimizing cost to the organization. The main mission of internal auditing is to assist management in achieving its objective and to add value by independently evaluating the

adequacy and effectiveness of governance, risk management and control process (IIA, 2011). Even though, the internal auditors have many roles and contributions to the organization and the public interest, they also faces many challenges from the organization they work. Some of the challenges identified by the Ethiopian Ministry of Finance and Economic Development (2004), in their internal audit manual are; lack of management respect, lack of independence, assigned of internal auditors to many tasks and being ignored (conflict of interest) and lack of professional development. In addition factors like absence of strategic plan and management support, organizational independence of internal auditors, adequacy and competency of internal audit staff and the presence of approved internal audit charter and other factors affects internal audit effectiveness (Mihret and Yismaw, 2007).

According to Abraham (2011) also study on internal audit function and corporate governance; mentioned the gap because it is unexplored area in the context of Ethiopia; variables include professional competency, audit experience, and recruiting and training policies; the results show that management's adoption of audit recommendations, the characteristics of internal auditors (or the hiring, training, experience, and professional certification of internal auditors), and the use of internal auditors' working papers by external auditors in banks were low; as a result, it can be questioned whether the banks' internal auditor functions are possess quality and whether their positive effects on corporate governance effectiveness, this finding suggests that extensive research should be done in the quality of internal auditors.

The studies that are conducted in developing countries particularly in Africa showed the non-independence to that of internal auditors work (Dawuda et al., 2015) and are embracing the conservative approach which is primarily concerned with compliance and monitoring rather than adopting value added approach to achieve the objective of the organization (Ramachandran, et al., 2012).

Ethiopian Airlines (Ethiopian) is the flag carrier of Ethiopia. Ethiopian airlines is one of the source of income that highly contribute in our country economy and bringing hard currency from all over the world in to the country and promoting the country all over the world carrying the flag, this great treasure need the ayes of government and international institutions to contribute more to the country and impact on world's economy. Therefore the company's good internal audit department helps the company as a back bone by protect the company from revenue leakage, fraud, system/rule gaps and other different loss due to not implement or

follow the company established rule. Based on the experience I had, I have seen that internal auditors forwards many findings that they have found; this initiates me to find out and to review their working culture and procedures they follow, while the culture may be exemplary to other company and to find out if I can add some input to my company activities.

The Airline industry has unique features such as higher fuel expense 50% increase in fuel prices in 1978 - 81 & 1990 - 92, sensitive to economic fluctuations which mean slower recovery and not possible to reduce production or create inventory and also it has close governmental regulation perhaps it is the most regulated industry. As the business going concerned need controlling mechanism to be stable by making profit thus determine internal audit effectiveness of the company may give an insight. Hence this research will be ground for future studies to explore more findings. Furthermore while the industry is different we are desperate to examine how it operates and to explore Ethiopian airlines internal audit effectiveness. Hence the study attempt to examine the internal audit effectiveness in Ethiopian airlines.

Most of studies conducted on different service giving companies but we did not found specific to Ethiopian Airlines. Thus the research attempted to carry out this study for the reason that it is unexplored area of the international service giving industry, in general and particularly in Ethiopian airlines therefore, examining the Internal Audit effectiveness helps may fill the gap. The overall study is about to assess the internal audit effectiveness of Ethiopian Airlines at head quarter office through independency, audit quality, internal control system and competency.

1.4 Research Questions

The research was conducted to answer the following research questions;

1. How the audit department is conducting its activities in accordance with quality?
2. How the audit department internal controlling system is operating?
3. How internal auditors are independent of any external force?
4. How the internal audit department professional proficiency is built on?

1.5 Objectives of the study

1.5.1 General Objectives

The general objective of the study is to assess or examine the internal audit effectiveness in Ethiopia airlines group.

1.5.2 Specific Objectives

The specific objectives of the study is

1. To examine the quality of internal audit department in the case of Ethiopian airlines.
2. To assess the internal controlling system of audit section found in Ethiopian airlines.
3. To assess independency of internal audit staff in Ethiopian airlines audit department.
4. To assess competence of internal audit staff of Ethiopian airlines audit department

1.6 Significance of the Study

This research is conducted in the territory of Ethiopian airlines group headquarter, the research significantly worth the company internal audit function to be strengthen and ensure if the company follow all the guideline, discipline and procedures.

In addition, this study might be used to review stakeholders (Board of directors, Board audit committee and external auditors) understanding of the Internal Audit practice is done according to the stated standard operating procedures in Ethiopian airlines group.

This study could also add value to the management who are in need to meet the standard operating procedures to be adhered, and need to see change in gaps and need effective internal audit function in their organization; the internal auditors who through this study be in a position to assess the role in promoting effective internal control in Ethiopian airlines group.

1.7 Scope of the study

The study conducted on the determinants of internal audit effectiveness in the case of Ethiopian Airlines group; Data collected at head office internal audit department while they are directly connected to the section.

The study specifically focuses on assessing the internal audit effectiveness of Ethiopian Airlines with the emphasis of the audit quality, internal control system, auditor independency

and internal auditor professional proficiency. While these variables are believed to indicate as one of internal audit effectiveness, it indicates towards the effectiveness of internal audit.

1.8 Limitation of the study

Like any other study, this study was subject to some limitations. The limitation of this study is not e able to address the audited sections and receive their feedbacks and also not included the audit reports.

1.9 Organization of the research

The structure of this research incorporates five chapters. The first chapter is an introductory part. The background of the study is presented along with the objective of the study and the related research questions. Statement of the problem and rationale of the study are presented in the chapter as well.

Review of the related literature; the theoretical and empirical parts including the research gap are discussed thoroughly in the second chapter of the report. The third chapter focuses on the research design and methodology. Types and sources of data, the target population, sample size and sampling techniques, method of data collection are described accordingly. The forth chapter of the report, an exhaustive analysis of the collected data is discussed and interpreted. In the last chapter, summary, conclusions and recommendations that drawn based on the research results.

CHAPTER TWO

2. LITERATURE REVIEW

2.1 Theoretical Review

This chapter focuses on the review of pertinent literature on internal audit effectiveness and other important elements of the subject. This chapter will discuss the definition of internal audit, the role of internal audit, its duties and obligations, its advantages, and other associated functions based on the literature review.

2.1.1 Evolution of Internal Auditing

The establishment, growth, and evolution of the contemporary internal auditing profession is closely knotted with the history of The Institute of Internal Auditors (IIA), an organization founded in the United States in 1941. The audit term comes from the Latin word *audit* - auditor, which has the Significance to listen”, but about the audit had been talking since the time of Assyrians, Egyptians, from the reign of Charles the Great or Edward I of England.

According to expert Jacques Renard, when businesses were severely impacted by the economic separation in the United States in 1929, the establishment of internal audit and external audit was strongly related to that time. Employers wanted to lower taxes and fees, therefore all accounts holding tax and fee-generating transactions were carefully examined to see if there was any chance of lowering the taxable supply or transactions for which fees were erroneously paid. As was already mentioned in the preceding, we are aware of how much has changed since 1929 while strangely also realizing how similarly we are affected by the current crisis.

Since 1978 all American listed companies are required to have auditing boards with three to five independent members (Autissier, 1998, p.4). By that time internal audit function has also grown to include “operational” orientation that is “control which functions by examining and evaluating the adequacy and effectiveness of other controls” (Rama-moorti, 2003, p.6). Additionally, internal auditor’s importance in organization’s hi-erarchy rose as its success was depending on the relationship between the audit committee and those in charge of the organization (Rama-moorti, 2003, p.7). Through 2000’s and the beginning of 2010’s internal auditing evolved around tightened regulations and increased need for regulatory compliance. It was focusing more on risk

management, improvement of business operations and IT and battle with corruption. This was mainly due to global economic downturn and many corporate scandals that resulted in new laws and regulations. Continuous and rapid development of internal auditing over the years has been fueled by globalization, technological development, e-commerce and growing complexity of organizational structures (Reding et al., 2013). In the same time, The Institute of Internal Auditors expanded into 170 countries and territories with over 180,000 members world-wide (Na.theiia.org, 2016). It continuously conducts research and develops practices that allow internal audit to adjust and respond to ever-changing needs of organizations.

2.1.2 The Institute of Internal Auditors (IIA)

The Institute of Internal Auditors (IIA) is an international professional association with global Headquarters in Altamonte Springs, Florida, USA. IIA was established in 1941. The IIA is the internal audit profession's global voice, recognized authority, acknowledged leader, chief advocate, and principal educator. Generally, members work in internal auditing, risk management, governance, internal control, information technology audit, education, and security. Globally, The IIA has more than 180,000 members. The IIA in North America comprises 160 chapters serving more than 72,500 members in the United States, Canada, the Caribbean, Bermuda, Guyana, and Trinidad & Tobago. Members enjoy benefits offered by the North American Service Center including local, national, and global professional networking; world-class training; certification; standards and guidance; research; executive development; career opportunities; and more. Internal auditors throughout North America enjoy free members only webinars and national conferences such as the General Audit Management Conference, the Governance, Risk, and Control (GRC) Conference, and the All Star Conference. The IIA's Audit Executive Center provides chief audit executives relevant and timely thought leadership and connections to peers for benchmarking and sharing best practices. And resources such as IIA Quality Services make The Institute an indispensable partner to you and your organization.

The mission of The Institute of Internal Auditors is to: Provide dynamic leadership for the global profession of internal auditing; advocating and promoting the value internal audit professionals adds to organizations; providing comprehensive professional educational and development opportunities, standards and other professional practice guidance, and certification programs; researching, disseminating, and promoting knowledge concerning internal auditing and its appropriate role in control, risk management, and governance to practitioners and stakeholders;

educating practitioners and other relevant audiences on best practices in internal auditing and bringing together internal auditors from all countries to share information and experiences.

2.1.3 International Professional Practices Framework (IPPF)

The Global Institute of Internal Auditors has developed a comprehensive range of standards, guidance and guides to help internal auditors around the world in their work. The International Professional Practices Framework (IPPF) has been developed to organize the full range of internal audit guidance from IIA Global in an accessible way. It includes two types of guidance:

1. Mandatory Guidance

IIA members are required to comply with mandatory guidance. This guidance is developed after consultation with members. These are:

- Core Principles
- Definition of Internal Auditing
- Code of Ethics and
- International Standards of internal auditing.

2. Recommended Guidance

IIA members are recommended to comply with this guidance. It describes practices for the effective implementation of The Core Principles, The IIA's Code of Ethics and the International Standards for the Professional Practice of Internal Auditing (International Standards).

Mission statement

Institute of Internal Auditors:

To enhance and protect organizational value by providing risk-based and objective assurance, advice and insight;

The Mission Statement to the IPPF provides a clear and succinct description of what internal audit aspires to achieve within organizations. Like a typical mission statement, the Mission of Internal Auditing describes internal audit's primary purpose and overarching goal.

2.1.3.1 Core Principles

The Core Principles, taken as whole articulate internal audit effectiveness. For an IAF to be considered effective, all Principles must be present and operating effectively. How an internal auditor, as well as an IAF, demonstrates achievement of the Core Principles may be quite

different from organization-to-organization but, failure to achieve any of the Principles implies that an IAA is not as effective as it could be in achieving IA's mission.

1. Demonstrates integrity.
2. Demonstrates competence and due professional care.
3. Is objective and free from undue influence (independent).
4. Aligns with the strategies, objectives, and risks of the organization.
5. Is appropriately positioned and adequately resourced.
6. Demonstrates quality and continuous improvement.
7. Communicates effectively.
8. Provides risk-based assurance.
9. Is insightful, proactive, and future-focused.
10. Promotes organizational improvement.

2.1.3.2 Definition of Internal Auditing

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. The Definition of Internal Auditing is the statement of fundamental purpose, nature and scope of internal auditing. The definition is authoritative guidance for the internal audit profession from the Global Institute of Internal Auditors. It is part of the IPPF.

2.1.3.3 Code of Ethics

The Code of Ethics is a statement of principles and expectations governing behavior of individuals and organizations in the conduct of internal auditing.

Table 2-1 Summary of the Code of Ethics

Rule	Principle
Integrity	The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment.
Objectivity	Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments.
Confidentiality	Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.
Competency	Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.

2.1.3.4 International Standards for the Professional Practice of Internal Auditing

The International Standards are authoritative guidance for the internal audit profession from the Global IIA. Internal auditing is conducted in diverse legal and cultural environments; for organizations that vary in purpose, size, complexity, and structure; and by persons within or outside the organization. While differences may affect the practice of internal auditing in each environment, conformance with The IIA’s International Standards for the Professional Practice of Internal Auditing (Standards) is essential in meeting the responsibilities of internal auditors and the internal audit activity (IAA).

The purpose of the Standards is to:

- Guide adherence with the mandatory elements of the IPPF.
- Provide a framework for performing and promoting a broad range of value-added internal auditing services.
- Establish the basis for the evaluation of internal audit performance.
- Foster improved organizational processes and operations.

The Standards are a set of principles-based, mandatory requirements consisting of:

- Statements of core requirements for the professional practice of internal auditing and for evaluating the effectiveness of performance that is internationally applicable at organizational and individual levels.
- Interpretations clarifying terms or concepts within the Standards.

The Standards, together with the Code of Ethics, encompass all mandatory elements of the IPPF; therefore, conformance with the Code of Ethics and the Standards demonstrates conformance with all mandatory elements of the IPPF. Furthermore, the Standards use the word “must” to specify an unconditional requirement and the word “should” where conformance is expected unless, when applying professional judgment, circumstances justify deviation.

Categories of internal audit standards

- a) **Attribute standards**- numbered in 1000s; govern the responsibilities, attitudes and actions of organization’s internal Audit function (IAF) and parties performing internal audit activities. Apply to IAAs and individual internal auditors.
- b) **Performance standards**- numbered in the 2000s, govern describe the nature of internal audit and provide quality criteria to measure the performance of IAA against. Apply to IAAs and individual internal auditors.
- c) **Interpretations**- are provided by the IIA to clarify terms and concepts referred to in Attribute of Performance Standards.
- d) **Implementation Standards**- expand attribute and professional standards and apply them to specific types of assurance or consulting engagements. They may deal with industry specific, regional or specialty types of auditing services. They have unique format Example 1000 A1 for Auditing “A” and 1000C1 consulting “C”.

The Standards comprise two main categories:

- Attribute and Performance Standards. Attribute Standards address the attributes of organizations and individuals performing internal auditing.

- Performance Standards describe the nature of internal auditing and provide quality criteria against which the performance of these services can be measured. Attribute and Performance Standards apply to all internal audit services.

Implementation Standards expand upon the Attribute and Performance Standards by providing the requirements applicable to assurance (.A) or consulting (.C) services.

Assurance services involve the internal auditor's objective assessment of evidence to provide opinions or conclusions regarding an entity, operation, function, process, system, or other subject matters. The nature and scope of an assurance engagement are determined by the internal auditor.

Consulting services are advisory in nature and are generally performed at the specific request of an engagement client. The nature and scope of the consulting engagement are subject to agreement with the engagement client (guidance@theia.com).

2.1.3.5 Attribute Standards

1.1. (1000) Purpose, Authority and Responsibility

The purpose, authority, and responsibility of the IAA must be formally defined in an internal audit charter, consistent with the Mission of Internal Audit and the mandatory elements of the IPPF. The chief audit executive (CAE) must periodically review the internal audit charter and present it to senior management and the board for approval.

1.1.1. (1010) Recognizing Mandatory Guidance in the Internal Audit Charter

The mandatory nature of the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards, and the Definition of Internal Auditing must be recognized in the internal audit charter.

1.2. (1100) Independence and Objectivity

The IAA must be independent, and IAs must be objective in performing their work.

1.2.1. (1111) Direct Interaction with the Board

The CAE must communicate and interact directly with the board.

1.2.2. (1112) The Chief Audit Executive Roles beyond Internal Auditing

Where the CAE is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards must be in place to limit impairments to independence or objectivity.

1.2.3. (1120) Individual Objectivity

Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest.

1.2.4. (1130) Impairment to Independence or Objectivity

If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties.

1.3. (1200) Proficiency and Due Professional Care

Engagements must be performed with proficiency and due professional care.

1.3.1. (1210) Proficiency

Internal auditors must possess the knowledge, skills and other competencies needed to perform their individual responsibilities.

1.3.2. (1220) Due Professional Care

Internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility.

1.3.3. (1230) Continuing Professional Development

Internal auditors must enhance their knowledge, skills and other competencies through continuing professional development.

1.4. (1300) Quality Assurance and Improvement Programme (QAIP)

The CAE must develop the QAIP that covers all aspects of the internal audit activity.

1.4.1. (1310) Requirements of the Quality Assurance and Improvement Programme

The QAIP must include both internal and external assessments.

1.4.2. (1311) Internal Assessments

Internal assessments must include: Ongoing monitoring of the performance of the internal audit activity, Periodic self-assessments or assessments by other persons within the organization with sufficient knowledge of internal audit practices.

1.4.3. (1312) External Assessments

External assessments must be conducted at least once every five years by a qualified independent assessor or assessment team from outside the organization.

1.4.4. (1320) Reporting on the Quality Assurance and Improvement Programme The CAE must communicate the results of the QAIP to senior management and the board.

1.4.5. (1321) Use of “Conforms with the International Standards for the Professional Practice of Internal Auditing”

Indicating that the IAA conforms to the International Standards for the Professional Practice of Internal Auditing (PPIA) is appropriate only if supported by the results of the QAIP.

1.4.6. (1322) Disclosure of Non-conformance

When non-conformance with the Code of Ethics or the Standards impacts the overall scope or operation of the IAA, the CAE must disclose to senior management and the board (guidance@theiia.com).

2.2 Review of Empirical Studies

On the current internal auditing practices in Ethiopia, various studies have been done. These papers' subject matter differs in terms of institutions, markets, and industries. As part of the evaluation of prior empirical evidence, highlights of several prior research articles on related topics, including the research conclusions and recommendations are examined and provided as follows:

The IIA's standard 1210, on proficiency of the auditor require that the internal auditors should possess the knowledge, skill and other competencies need to perform their responsibilities (IIA, 2001)

The audit quality is demonstrated by the offices capability to provide useful and it findings and recommendations, is one of the most prominent factors on which audit effectiveness. Quality of internal audit work is evaluated in perspective of effective audit planning and supervision (Prawit, et al., 2010). The internal audit department should adequately plan activities at organizational level and in each specific engagement (Prawit,et al., 2010). IA plan includes strategic and annual planning, audit objectives and audit programs for each audit engagements (Mihret & Yismaw, 2007). In this case, annual IA plan is the main mechanism to match the work of IA to the needs and expectations of the audit committee, external auditors, and senior management (IIA, 2001). The appropriate number of audit staffand the time required for each audit to be determined in advance of field work (Tandon, et al., 2010). Thus, audit plan helps internal audit department to effectively discharge its objective (Mihret & Yismaw, 2007). Therefore, quality of IA has a significant relationship with effectiveness of IA.

Independence is of paramount value in providing effective internal audit service to the management, it affords an atmosphere of objective and uninhibited appraisal and reporting of findings without influence from the units being audited. Internal audit without independence

becomes a part of the management team, losing its ability to offer a fresh perspective (Yee et al., 2008). Independence of internal audit is considered by Zhang et al. (2007) as a determinant of internal audit effectiveness. Cohen and Sayag (2010) also argue that organizational independence of internal audit affects internal audit effectiveness.

Bethelehem (2000) an investigation into a study titled "Internal Audit Practices in Case of Ethiopian Governmental Higher Educational Institutions," none of the sampled universities' audit committees had been established, their internal audit departments lacked adequate funding, which affected their effectiveness, they had no internal auditor development programs, no risk-based internal audit plans had been established, and none of their audit departments. Mihret and Yismaw (2007) examined how internal audit quality, management support, the organizational setting, and auditee characteristics affected internal audit effectiveness in the Ethiopian public sector. Their conclusions imply that the internal audit office of the organization under study has a low level of technical staff expertise and a high rate of staff turnover, which would limit its ability to offer the management effective service. Additionally, the majority of the staff only has temporary employment contracts, so they must improve their skills in order to deliver the anticipated high level of service. Additionally, the internal audit office does not establish a strategic plan and does not give internal audit recommendations enough attention, which reduces the efficacy of the audit by eroding the office's capacity. According to the finding audit quality and management support significantly influence audit effectiveness.

Abraham (2011) Analyze the impact of the internal audit function on the success of corporate governance in the instance of 13 commercial banks that were chosen at random. According to the study's conclusions, there were low levels of implementation of audit recommendations by management, use of internal audit function working papers by external auditors in banks, and internal audit function attributes (or the hiring, training, experience, and professional certification of internal auditors). As a result, the banks' internal audit operations are subpar, and it is uncertain if they have a positive effect on the effectiveness of corporate governance. Furthermore, N.Nwaobia (2016) was conducted a research Internal audit functions would improve transparency in public financial management and reporting if given full autonomy in terms of independence and well-equipped with both human capital and pertinent infrastructural facilities, according to research to examine the position of internal audit practices towards enhancing transparency in public financial management in Rwanda and Nigeria.

Mohamud and Salad (2013) examined the remittance company's internal audit procedure is efficient, there are certain restrictions on the separation of duties. Internal audit and internal controlling system are positively correlated. In Somalia, there are excellent conditions for internal audits of remittance companies. The results demonstrate that internal audit firms have a clear impact on internal control in Moqadishu remittance enterprises. Hamdu (2014) analyzed that the case of East Arsi Zone, Ethiopia, indicated internal audit standards and its practice were investigated. The findings revealed that the scope of internal audit function in the enterprise surveyed did not yet go far from the traditional practices. In addition, a significant amount of time was spent on performing financial and compliance audit, and none of the respective public enterprise audit departments had quality assurance programs.

Wadesango et al., (2017) in his article, the author looked at the risks associated with parastatals' failure to execute audit recommendations as well as the difficulties management faces in doing so. The study used a desk-top methodology, which involved recording a thorough analysis of both published and unpublished work from secondary sources of data with a focus on the research's particular areas of interest. The researchers looked at and debated what various authorities had to say about the methodologies used in figuring out whether management and staff understand the importance and roles of the audit function in parastatals as well as how much management is responsible for the risk management process and putting audit recommendations into practice. The full value of the audit would not be realized if implementation is not advanced quickly and individual risks are not addressed.

Solomon (2019) conducted a study on internal audit practice and its effects on company performance in an Ethiopian shipping and logistics service enterprise using primary and secondary data through a purposive sampling method. Data were analyzed using descriptive statistics analysis and inferential analysis with independent variables risk management process, internal control system, and internal audit practice. The dependent variable was company performance in terms of profitability. Although the other two factors were also positively correlated with company performance, their impact was statistically insignificant.

2.3 Conceptual Framework

The conceptual framework is a diagrammatic representation of the study variables. The framework outlines how the variables interact. This conceptual framework is extracted after reviewing literatures it is tried to extract from empirical review of the study. It can be understood that internal audit practice is influenced by internal audit independence from corporation management, value added activities of the internal audit, audit committee assistance of internal audit in maintaining audit quality, revealing all the gaps and findings without fail. Hence, this study also aims to establish the relationship between internal audit practice and the independent variables that influence the internal audit presentation of the Ethiopian airlines group. The conceptual frame work showing the dependence between variables is presented below.

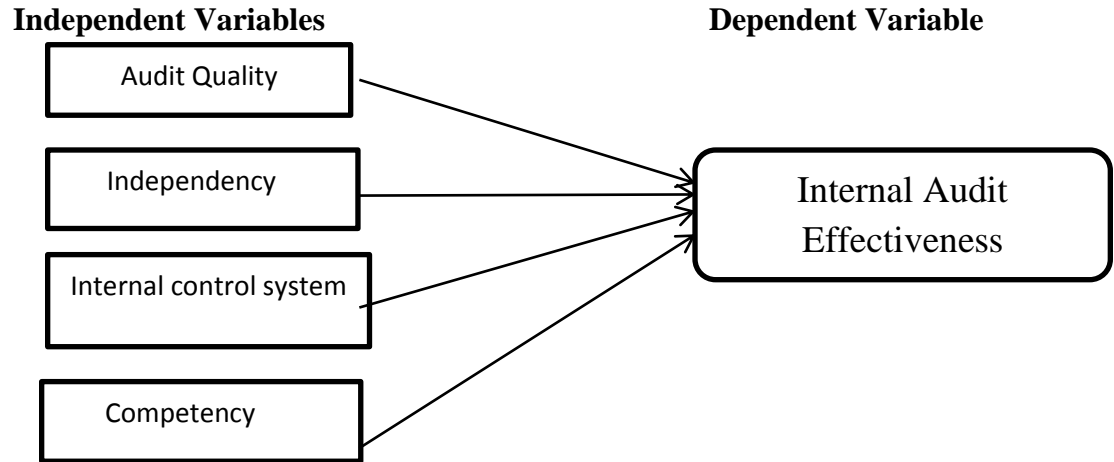


Figure 2-1 Conceptual Frame work

The conceptual framework indicates that there are four independent variables which include independency, professional proficiency, audit quality and internal control system to assess the internal audit practices. This conceptual frame work is developed from preliminary literature review.

CHAPTER THREE

3. RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

This chapter covered content presented as follows. The research methodology and design are described in the first section. The target population, types and sources of data, sample size, and sampling methodologies are presented in the following sections. The following section discusses data distribution and gathering methods that were covered in the previous section.

3.2 Research Design

According to (Mutai, 2001), research design refers to the procedures to be employed to achieve the objectives of the research. The research design constitutes the blueprint for the collection, measurement and analysis of data (Cooper D & Schinder, 2007). In this study a descriptive design is used study to explain the Ethiopian Airlines Group's internal auditing practice. The goal of the study is to provide accurate assessment of the current status of Ethiopian Airlines' internal audit functions and effectiveness. This design is also a fact-finding method with a sufficient and accurate interpretation of the results. We shall focus on describing what actually exists, such as the current conditions, practices, scenarios or any phenomenon relevant to the practice of internal auditing. The study assesses internal audit practice through variable audit quality, internal control systems, independence, and professional competence is meant to be described in this study. The study was conducted using mixed research approach.

3.3 Types and Sources of Data Collection

The primary and secondary data were used in the investigation. The method used to collect primary data, which involved delivering questionnaires to all Ethiopian Airlines internal auditor staff members. Because the questionnaire was sent to Ethiopian Airlines' concerned internal

auditors, who are supposed to be ethical in their work, the data is presumed to be trustworthy and conducted interview. And the secondary data collected by referring the audit manual.

The validity of the study is determined by the respondents' responses. The study adopted and modified the questionnaires from Mr. Desalegn (2008) as they were strong and supportive to measure the effectiveness of internal audit practice. The questionnaires was prepared in the form of Likert-Scale type (showing respondents agreement or disagreement) by constructing into five point scale where the lowest scale represent strongly disagree and the highest scale represent strongly agree (Likert, 1932). The questionnaires distributed to the respondents were organized in to two sections; the first section (section A) deals about respondent's demographic information. The second part (section B) holds Likert scale questions aimed to analyze internal audit practices of the Ethiopian airlines related to all variables (audit quality, internal control system, independency and professional proficiency).

Mostly the likert scale questions have five degrees namely strongly agree, agree, neutral (undecided), disagree, strongly disagree that are combined in to a single composite score during the data analysis process(Kothari, 2004). The study in five point Likert scales followed through indicating scores like as follows (5) indicating strongly agree (4) agree (3) undecided (2) disagree and (1) strongly disagree. The number indicates in the question provided to feed ordinary scale measurement and to generate data suitable for quantitative analysis (Boone Jr, 2012). The mean response greater than > 4 = adequate; in between $4 > 3.5$ = well/fair/good/healthy; between $3.5 <$ and > 3.0 = inadequate. Moreover, the standard deviation results of less than 1.00 indicate that the respondent's perception close to one another and that of greater than 1.00 indicated that the respondent's perceptions vary each other (Shewhart, 2004).

The secondary data obtained through referring audit manual.

3.6. Population and Sampling Techniques

The population under consideration or studied are all employees who are working in internal audit department at the head office of Ethiopian airlines group. The target group of the study is restricted to the internal auditors of the Ethiopian airlines found in the internal audit process in Addis Ababa, Ethiopia.

After the list of these internal auditors, with the available time 100% of total population was selected using census survey. Thus, in total 60 internal auditors all are selected for the questionnaire. The researcher used all the population as to get better information from whole internal audit staffs.

The survey covered all target population. The sample constitutes 100 percent of the target Population. Questionnaires were distributed to these 60 internal auditor and 58 internal auditors responded. This shows that 96.66 percent response rate. Thus, 96.66 percent rate was reasonably good.

3.4 Methods of Data Collection

In this study primary data and secondary data were used. The primary source of data basically focused on questionnaires distribution and collection and conducted interview the audit manager. The questionnaire is a fast way of obtaining data as compared to other instruments (Mugenda, 2003). Questionnaires give the researcher comprehensive data on a wide range of factors. Questionnaires allow greater uniformity in the way questions are asked, ensuring greater compatibility in the responses. Accordingly, the questionnaires were distributed to the internal audit staff through telegram the google docs. link.

The secondary source data obtained through referring audit manual. Document review is relevant to enhance the quality of finding through the qualitative methods. This technique is the most means of gathering data to make the study rich information. As written information, it also saves the researcher time in addition of expanding the information (Yin, 2003).

3.5 Reliability

The reliability analysis is crucial for reflecting the overall dependability of the components that the questionnaire is measuring and is especially important for analyzing the consistency of the Likert-type scale. To carry out the reliability analysis, Cronbach's Alpha (α) is the most common measure of scale reliability and a value greater than 0.700 is very acceptable (Field, 2009; Cohen and Sayag, 2010).

According to the below table the reliability analysis result for audit quality 0.777, for independency 0.801, for internal control system all 0.828 and for professional competency 0.84

which meant that the results generated for all variables utilized in this research were reliable enough for data analysis.

Table 3-1 Summary of the measurement reliability (Cronbach’s Alpha)

Category of questioner	Cronbatch’s Alpha	No of Item
Audit Quality	0.777	10
Independency	0.801	7
Internal control system	0.828	10
Competency	0.84	7

Source: Questionnaire results analysis by SPSS

3.6 Validity

Bond, (2003) the idea that true scientific measurement is prominent in the minds of individuals who want legitimate outcomes from assessment and that validity is foremost on the minds of those producing measures. Validity can be seen as the core of any form of assessment that is trustworthy and accurate (Bond 2003). This study investigated determinants of internal audit effectiveness in Ethiopian Airlines using primary and secondary data. Questionnaire and interview is one of the best methods of collecting valid information and reviewing related audit manual it gives valid information about the study.

3.6.1 Methods of Data Analysis

The primary data analysis is done after collecting and classification of the relevant data through questionnaire and interview, the questionnaire response is sorted, coded, computed, and analyzed using Statistical Package for Social Sciences (SPSS) software-version 20.0. After the data were entered into the SPSS software, to assess the reliability and consistency of the instrument, the Cronbach’s Alpha (α) analysis was conducted. The analyzed data was described and summarized by using the descriptive statistics methods particularly by measure of central tendency (mean) values, frequency, percentage, measure of central dispersion (standard deviation). Then the results of the study have been presented by using various tables. And the secondary data analysis through referring internal audit manual and audit check list.

Chapter Four

4. Data analysis and interpretation

In this research thesis, it is attempted to determinants of internal audit effectiveness of Ethiopian airlines group through internal control system, the quality of audit, independency of auditors and professional competency. Therefore in this chapter, data analysis and interpretation of research were conducted through data obtained from the disseminated questionnaires and also interview of the internal audit managers and review of section audit manual. This chapter discuss about research design, research type and its approach, target population, sampling technique and sample size, source of data, method of data collection, reliability and validity and methods of data analysis.

4.1 Response rate

The research question is prepared for internal audit staff of Ethiopian airlines. The department has one Vice president of internal audit and Director of internal audit and two management staff having around 60 employees, these department audit the Ethiopian airlines different offices in Ethiopia and abroad the country branch offices. Hence the questionnaire is distributed to all internal audit employees through google.com software. The sample constitutes 100 percent of the target Population. Questionnaires were distributed to these 60 internal auditor and 58 internal auditors responded. This shows that achieved 96.66 percent response rate. Thus, 96.66 percent rate was reasonably good.

4.2 Demographic Characteristics of Respondents

The following outputs processed by SPSS software is provided to show the demographic profile of the respondents in terms of gender, age, educational background and year of service, which is depicted as follows.

Table 4-1 Demographic characteristic of respondents

Respondents' characteristics		No. of Respondents	Percentage
Sex	Male	36	62.1%
	Female	22	37.9%
	Total	58	100%
Age	Under 25	4	6.9%
	25-35	48	82.8%
	36-45	6	10.3%
	Total	58	100%
Educational Background	Degree	47	81%
	Masters	11	19%
	Total	58	100%
Year of service	2-4 Years	13	22.4%
	5-6 Years	29	50%
	7-10 Years	12	20.7%
	More than 10 years	4	6.9%
	Total	58	100%

Source; Questionnaire result analysis from SPSS

In this research both gender is involved in responding to the questionnaire, from the respondent 62% of the respondents are male and 38% of the respondents are female. This implies male were highly involved in the study, fortunately the finding of study did not affect from gender bias. The study requested the respondents to indicate their age category and the finding indicates that 6.9% under 25 years, 82.5% of the respondents were aged between 25 to 35 years and 10.3% of respondents indicated they were aged between 36 to 45 years.

On the educational background of the employees were requested in order to define whether the staff is equipped with qualified and educated staff or not hence based on the result majority of the sample group accounted 81% degree holders and the remaining 19% were masters' holders. This shows the majority of respondents was educated and could contribute to the effectiveness of their planned work which means it helps for effectiveness of audit quality.

In internal audit carrier being professional and experience considered significant to qualify and carry internal audit works. Once they are employed they could also supported by short courses and learn from one another's experiences. Experience is crucial for effective

auditing because the staffs exchange their experience to ensure successful auditing. The knowledge, abilities, and attitudes of workers are improved with time and experience. It is through the real world application of auditing those auditors and other concerned staffs reach their full potential. In this research year of service considered significant for the qualified and complied internal audit effectiveness. As per this the following data is gathered 22.4% of the staff is having 2 to 4 years' experience, 50% of employees have 4 to 6 years, 20.7% of employees have 7 to 10 years and 6.9% of employees have more than 10 years. This implies most of staff has more than 4 years experience which implies good experience for airline environment and audit department activity and it helps to be more experienced on conducting its activity with experienced staff while this will improve the quality of audit task and working procedure.

4.3 Analysis of Quantitative Data

4.3.1 Audit quality

The audit quality refers to applicability of laws, regulations, policies and procedures, the discussion of internal auditors and auditee about audit findings.

Table 4-2 Audit quality of company's internal audit

Key: - SA = strongly agree A = agree N = neutral D = disagree
 SD = strongly disagree Fr = frequency % = percent

No	Item	Scale										Total		Mean	SD
		SA		A		N		D		SD					
		Fr	%	Fr	%	Fr	%	Fr	%	Fr	%	Fr	%		
1	The internal audit department set audit plan every annum	32	55.2	17	29.3	7	12.1	1	1.7	1	1.7	58	100	4.34	0.890
2	Auditing is conducted on some significant area of business unit.	18	31	25	43.1	6	10.3	5	8.6	2	3.4	56	96.6	3.93	1.059
3	The internal audit activities cover all the section in Ethiopian airlines.	7	12.1	24	41.4	6	10.3	19	32.8	1	1.7	58	100	3.30	1.117

No	Item	Scale										Total	Mean	SD	
		SA		A		N		D		SD					
		Fr	%	Fr	%	Fr	%	Fr	%	Fr	%				Fr
4	Internal auditors regularly monitor the audited section for audit findings to be resolved.	16	27.6	31	53.4	7	12.1	3	5.2	-	-	57	98.3	4.05	0.789
5	The audited section provides all the necessary data and assistance for internal auditors.	7	12.1	18	31	10	17.2	22	37.9	1	1.7	58	100	3.14	1.115
6	The audited section reply positively for audit findings	6	10.3	17	29.3	6	10.3	28	48.3	-	-	57	98.3	3.02	1.110
7	The auditors check the corrective action taken and correctness of audited section	14	24.1	37	63.8	5	8.6	2	3.4	-	-	58	100	4.09	0.683
8	The audit department properly files the audit section activities.	18	31	29	50	6	10.3	3	5.2	-	-	56	96.6	4.11	0.802
9	The audit department performs its activity based on the procedures.	18	31	33	56.9	4	6.9	1	1.7	1	1.7	57	98.3	4.16	0.774
10	The audit management closely follow-up the internal auditors activities.	13	22.4	28	48.3	12	20.7	4	6.9	-	-	57	98.3	3.88	0.847

Source; Questionnaire result analysis from SPSS

Q-No1, of this table shows 55.2% of respondents replied as strongly agreed, 29.3% of replied also agreed, in contrast 1.7% of replied were strongly disagree and also 1.7% of respondent replied as disagree, on the other hand 12.1% of respondents were neutral. The result with mean value 4.34

shows that the audit section will draft audit plan annually. The audit plan prepared annually it helps to do the auditing activity according to stated plan it maintain audit work quality.

Q-No2, shows 31% of replied as strongly agreed, and 43.1% replied as agreed and the remaining 10.3% replied as neutral, 8.6% disagree, 3.4% strongly disagree. Specifying and identifying the area of audit conducted based on significance it helps to utilize our resource and time effectively. Hence the result confirmed with the mean value 3.93 the audit section will be identified that significant area to conduct the audit activity, it improve audit quality by focusing on major specific audit area instead of auditing the whole insignificant audit area which is that are not affect the company financial and operational performance.

Q-No3, shows 12.3% replied as strongly agreed, 42.1% agree, 10.5% neutral, 33.3% disagree and 1.8% strongly disagree. Ethiopian airlines has many departments and offices in Ethiopia and abroad hence in conducting its internal audit activity may need its own strategy to address all the area that need audit conduct it helps to discover any fraudulent, revenue leakage and other gaps. Thus in the research this question included to know the tendency and capacity of audit section in auditing all departments of Ethiopian airlines. The result indicated that there is a limitation and gap in covering all section or department in Ethiopian airlines with mean value 3.30.

Q-No4, shows that 27.6% strongly agreed, 53.4% agree, 12.1 neutral, and 5.2% disagree. The audit activities findings are usually exhibited, hence monitoring till audit finding closed is one of the main activities of audit section hence in these regard questions were raised if they are regularly monitor audited section audit findings. The response with mean result 4.05 confirmed that the auditor regularly monitor on audit findings the auditee sections.

Q-No5, survey result shows that 12.1 % of respondents were strongly agreed, 31% of respondents were agreed in contrary 37.9 % of respondents disagree and 1.7% of respondents strongly disagree on the other hand 17.2% of respondents were neutral. The effectiveness of internal audit activities need good cooperation of audited section in providing all the necessary data that helps to make the audit activities easily and successfully. The mean result 3.14 indicated there is a gap in providing all the necessary data from audited section in providing assistance to internal audit section it makes the audit work difficult & may compromise the audit work quality.

Q-N6, result shows 10.5% strongly agreed, 29.8% agreed, 10.5% neutral and 49.1% disagreed. Internal audit effectiveness need cooperative environment for every audit findings because it helps for improvement the process and minimize the company's inefficiency. It is helpful to explore the problem early and provide good solution. Thus the audited sections give positive feedback for findings really useful. The mean value 3.02 implies that most of the audited section didn't reply positively for audit findings recorded by internal auditors it affect the audit work quality due to lack of positive response of auditee sections for auditor findings.

Q-No7, shows 24.1% strongly agreed and 63.8% agree on the fact that internal auditors check that the corrective action taken by auditee section. In contrast 3.4% of respondent disagree on this issue. On the other hand 8.6% of respondent were remained undecided. The internal audit section success measured by taking corrective action taken on the findings by audited section otherwise the audit work may not achieve its goal thus to make successful the audit work the auditors should check the action taken by the auditee section. The result on this regard implies the auditors checked that corrective action taken by the auditee section with mean value 4.09. It helps to maintain the audit quality.

Q-No8, shows 32.1% strongly agreed and 51.8% agreed on the fact the audit department properly files the audit section activities. Opposed to this 5.4% disagreed on this same issue. On the other hand the remaining 10.7% were neutral. The audit department properly files the audit section activities with mean value 4.11. Through referring the manual the audit section activity properly file to access easily for whom that is authorized for the reference.

Q-No9, shows 31.6% of respondents were strongly agreed and 57.9% of respondents were agreed on the fact that the auditors perform their activity or task based on the procedures. In contrast In contrast 1.8% of respondents strongly disagree and 1.8% of respondents disagree on this same issue. On the other hand 7% of respondents were neutral. The internal audit section has its own audit manual that describe methodologies, procedures and standard that the auditor need to follow as guide or roadmap at the time of audit conduct. The audit activities, adhering for the procedures and compliance with the guided rules are expected from the internal audit department staffs. On this regard the result indicates that the internal auditors perform their tasks by using the audit department procedure with man value 4.16. It maintains the audit work quality.

Q-No10, shows 22.8% strongly agreed and 49.1% agreed on the fact that the audit management closely follow-up the internal auditors activities. In contrast 7% were disagreed on this issue. On the other hand 21.1% were remained undecided. In this research the management close follow up considered as useful for the quality of internal audit activities. The management involvement in audit activities increases the creditability and quality of audit work. In contrast “the lack of attention by management may send a wrong signal about the importance of internal audit services to the auditee, which in turn adversely affects the auditee, attributes (Mihret and Yismaw, 2007). In this research the result implies there is good management close follow up for internal audit activity with mean value 3.88.

Internal audit is an important function in any organization that has a positive effect on the quality of financial reporting, good government governance, & quality financial reporting has a positive effect on good government governance (Rahmatika, 2013).

4.3.2 Independency

The freedom of the internal auditors regarding the accessibility of information or data pools while they run another audit activities and the content of annual work plan of the internal audit with respect to financial budget and staffing information.

Table 4-3 Independency of internal audit staff

No	Item	Scale										Total		Mean	SD
		SA		A		N		D		SD					
		Fr	%	Fr	%	Fr	%	Fr	%	Fr	%	Fr	%		
1	Internal auditors have independence on its audit activity.	11	19	29	50	12	20.7	4	6.9	1	1.7	57	98.3	3.79	0.901
2	Internal auditors have freedom on reporting findings to higher managements.	9	15.5	24	41.4	16	27.6	9	15.5	-	-	58	100	3.57	0.939
3	Internal auditors perform their activities according to their plan.	4	6.9	26	44.8	21	36.2	5	8.6	-	-	56	96.6	3.52	0.763
4	Internal auditors assignment reshuffle with schedule	7	12.1	23	39.7	16	27.6	10	17.2	-	-	56	96.6	3.48	0.934
5	Internal auditors do not be assigned to audit on previously assigned sections.	13	22.4	9	15.5	17	29.3	17	29.3	1	1.7	57	98.3	3.28	1.176
6	Internal auditors get the financial budget for its activities on timely bases.	7	12.1	21	36.2	21	36.2	6	10.3	1	1.7	56	96.6	3.48	0.914
7	The audit management has full authority and freedom to receive new staff and assign.	3	5.2	30	51.7	15	25.9	9	15.5	1	1.7	58	100	3.43	0.881

Source; Questionnaire result analysis from SPSS

Q-No1, the internal audit activity must be independent in performing their work. The auditors need to free from interference of superiors to do their work without bias. The freedom of the internal auditors regarding the accessibility of information and drawing their conclusion, maintains the audit work objectively. Therefore in this research the survey result shows that 19.3% strongly agreed and 50.9% agreed on this fact. In contrast 1.8% respondents strongly disagreed and 7% were disagreed on this issue. On the other hand 21.1% remained undecided. The mean result 3.79 indicated that the internal auditors are independent on performing audit

activity. This helps an organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of the processes.

Q-No2, shows, on some cases internal audit findings to be reported to higher managements it will be so difficult to reflect it out while auditors influenced by their higher managements, on some while cases need to be hidden and need not to be out casted auditors may face to disregard audit findings and also may cause to close cases without adequate justifications. The survey result shows 15.5% were strongly agreed and 41.4% agreed on the fact internal auditors have freedom on reporting findings to the higher managements. In contrast 15.5% were disagreed on this issue. And the remaining 27.6% were neutral. The response result indicated that the auditors have freedom to disclose finding for higher management with mean result 3.57.

Q-No3, shows, according to the company structure and scope of the airline, the audit activity needs to be performed with plan. In this research the study assess the internal audit effectiveness if they are guided by plan. And the result shows 46.4% of respondents were agreed and 7.1% were strongly agreed on the fact that the internal auditors perform their task according to the plan. In contrary 8.9% of respondent were disagreed on this issue. The other 37.5% were neutral. This indicates that the auditor perform the audit activity as per the plan with mean value 3.52. This will help the auditors to achieve their audit activity effectively and perform without subjectivity and it makes the audit activity programed.

Q-No4, working in one assigned area for a long time without assignment reshuffling may have adverse effect. Assigning assignment with reshuffling is advantageous to disclosing wrong doings or unidentified gaps that others fail to recognize. Hence on this regard the result shows that 12.5% of respondents were strongly agreed and 41.1% of respondents were agreed. In contrary 17.9% of respondents were disagreed. And the remaining 28.6% were reserved to give reply. The result implies that there is some limitation on assignment reshuffling and this may affect the audit quality of work and independency of the auditors with the mean value 3.48.

Item 5, If the auditors assigned to audit the section that was assigned previously may biased the audit result which means it may occur conflict of interest. Thus study result shows that 22.8 were

strongly agreed and 15.8% respondents were also agreed on the fact auditors do not be assigned to audit on previously assigned sections. In contrast the other 1.8% respondents were strongly disagreed and 29.8% were disagreed on this issue and the other 29.8% were neutral. The result indicated that the auditors may assign to previously assigned sections or department with mean value 3.28. And this could affect the result of auditor's to bias the output.

Q-No6, for an audit activity budget is essential to do audit activities without limitation and to have effective audit work. To prepare strategic plan and administering its own budget will help to facilitate and expedite the audit task. Hence the survey result shows that 5.2% strong agreed and 51.7% agreed on this regard. In contrast 1.7% strongly disagreed and 15.5% disagreed. On the other hand 25.9% of respondents were reserved to give response. Thus this study results show that there is a gap on getting financial budget on timely base with mean value 3.43 and this will limit the internal audit potential to operate adequately and scope of audit activity.

Q-No7, the internal audit department in order to have equipped man power the management needs to have freedom to assign and receive new staff. It helps and fulfills the requirement to successfully perform the audit section activity. On request adequate staff & assigning staff need to have audit management involvement. Therefore the survey result implies that 10.3% of respondents were strongly agreed and 50% respondents were agreed in contrast 20.7% of respondents were disagreed and 5.2% respondents were strongly disagreed and on the other hand 13.8% of respondents were neutral. Hence the study result shows that, there is limitation on management involvement on requesting and receiving new staff to audit section.

4.3.3 Internal control system

Table 4-4 Internal control system of the company

No	Item	Scale										Total		Mean	SD
		SA		A		N		D		SD		Fr	%		
		Fr	%	Fr	%	Fr	%	Fr	%	Fr	%				
1	The internal auditor is aware of every system and process on the assigned section.	6	10.3	29	50	8	13.8	12	20.7	2	5.2	58	100	3.40	1.091
2	The internal auditor is efficient in evaluating the system and process regarding the assigned section.	3	5.2	28	48.3	16	27.6	8	13.8	2	3.4	57	98.3	3.39	0.921
3	The internal auditors closely follow-up the implementation of policies and procedures.	10	17.2	37	63.8	8	13.8	2	3.4	-	-	57	98.3	3.96	0.680
4	Internal auditors ensure the implementation of segregation of duties within departments.	5	8.6	25	43.1	26	44.8	2	3.4	-	-	58	100	3.57	0.704
5	The internal auditors notify internal controlling system gaps to the higher managements.	6	10.3	39	67.2	9	15.5	3	5.2	-	-	57	98.3	3.84	0.676
6	The internal auditors report noncompliance issues to their management till solved.	6	10.3	34	58.6	13	22.4	4	6.9	-	-	57	98.3	3.74	0.745
7	The internal audit department avail helpful recommendation for efficiency of internal controlling system.	10	17.2	38	65.5	3	5.2	4	6.9	1	1.7	56	96.6	3.93	0.828
8	The standard and procedures of sections are updated timely as it is needed.	6	10.3	33	56.9	8	13.8	9	15.5	2	3.4	58	98.3	3.55	0.994
9	The standard and procedures of section are reliable and applicable.	4	6.9	30	51.7	14	24.1	8	13.8	-	-	56	96.6	3.54	0.830

No	Item	Scale										Total		Mean	SD
		SA		A		N		D		SD					
		Fr	%	Fr	%	Fr	%	Fr	%	Fr	%	Fr	%		
10	There is loophole in the internal control system for abuse and fraudulent action.	2	3.4	27	46.6	15	25.9	9	15.5	3	5.2	56	96.6	3.29	0.967

Source: Questionnaire results analysis by SPSS

Q-No1, the auditors need to know the audited section working system and process in order to perform their audit task clearly and with understanding manner. Having the proper understanding about the system helps to draw correct conclusion and make audit result reliable. Based on this study the result shows that 10.3% were strongly agreed and 50% were agreed on the fact that the internal auditor is aware of every system and process on the assigned section. In contrast 5.2% were strongly disagreed and 20.7% were disagreed on this issue. On the other hand 13.8% respondents were neutral. The result shows that the internal auditors have limitation on awareness and understanding about the system and process of assigned audited section with mean value 3.4. This could leads need further investigating the system and process of auditee section to well informed at the time audit task conducted to make the audit result reliable

Q-No2, knowing the working system and process help the auditors to evaluate and advise better working system and also to be successful in their audit tasks. Therefore regarding this statement the result show that 5.3% of respondents were strongly agree and 49.1% of respondents were agree. In contrast 3.5% of respondents were strongly disagreed and 14% of respondents disagreed on this issue. The remaining 28.1% respondents were reserved to give their reply. The respondents' response indicates that there is a gap on the internal auditors to be effective in evaluating the system and process regarding the assigned section. The audit task will difficult and inefficient for not efficiently evaluating system and process of auditee section it may occur operational and performance in efficiency of the company.

Q-No3, policies and procedures are not only enough for good internal control system need to follow or implemented the rules and procedure by the respective units. Thus one of the auditors task is controlling if the section is complying with the company policies and procedures. Accordingly on this regard 17.5% of were strongly agreed and 64.9% of respondents were agreed

on the fact that the internal auditors closely follow-up the implementation of policies and procedures. In contrast 3.5% of respondents were disagreed on this issue. On the other hand 14% respondents were neutral. Thus based on mean result 3.96 it confirms that the auditors are closely follow-up for the implementation of policies and procedures so this maintain strong internal control system for the company. The strong internal control system will make the company more profitable by blocking from fraud and revenue leakage.

Q-No4, segregation of duties with department is one of implication for strong internal control system. In the absence of segregation of duties there is conflict of interest and the controlling system will be weak. In once organizational department if there is segregation of duties it helps to have clear duties and responsibilities, decisions will not fall in a single person rather than everyone will participate on each task based on their level. On this regard 8.6% respondents were strongly agreed and 43.1% of respondents also agreed on the fact that internal auditors ensure the implementation of segregation of duties within departments. In contrast 3.4% were disagreed on this issue. The other 44.8% of respondents remained undecided. The result shows that there is implementation of segregation duties in departments with mean value 3.57.

Q-No5, notifying the internal control system gap is essential for the organization to decrease the loss occurred due to the system gap and to enhance the efficiency of the controlling system and customer satisfaction. The positive inter relationship of higher management with internal auditors simplify things on performing audit task. The study shows about informing gaps to higher management, about 5.3% respondents were strongly agreed and 68.4% of respondents were agreed. In contrary 5.3% of respondents were disagreed on this issue. On the other hand 15.8% of respondents were remained undecided. Hence this implies there is a good flow of information and communication for the management by the auditors about notifying the gaps related to internal controlling system with mean value 3.84 these also surely solved many problems related to internal control system.

Q-No6, internal auditing uses a variety of tools which are focused on improving internal control by reducing risk, gap for fraud or abuse and others. The auditor check the compliance of law on the company departments then the noncompliance issues need to disclosed to their manager until

the case is solved. The noncompliance issues need to be solved without taking much time. In this survey about 10.5% strongly agreed and 59.6% as agreed on the fact that the internal auditors report noncompliance issues to their management till solved. In contrast 7% disagreed on this issue. And the other 22.8% were neutral. The mean result 3.74 indicated that the internal auditor has a good follow up on noncompliance findings until solved.

Q-No7, strengthen internal controlling system of the working process and systems enhance company safety. Internal auditors in this case they will be required to show the gaps and avail helpful recommendations. The result shows 17.9% respondents were strongly agree and 67.9% of respondents were agreed on the fact that the internal audit department avail helpful recommendation for efficiency of internal controlling system. In contrary 1.8% respondents were strongly disagreed and 7.1% of respondents were disagreed on this issue. On the other hand 5.4% respondents were neutral. Based on the result the auditors give their recommendation about internal control system with mean value 3.93. It helps to strengthen the internal control system.

Q-No8, processes and standards may change through time with some upgrades and process changes thus according to this the standard and procedures need to update. On this regard the respondent result shows that about 10.3 respondents strongly agreed and 56.9% of respondents were agreed on the fact that the standard and procedures of sections are updated timely as it is needed. In opposite 3.4% were strongly disagreed and 15.5% were disagreed on this issue. The other 13.8% respondents were neutral. Hence the result implies that the standards and procedures updated timely as needed with the mean value 3.55.

Q-No9, the working standard and procedures should give trust worth to employees of internal auditors and need to be applicable in their day to day tasks. It helps the auditor to perform their work easily with standards and procedures. On this regard the study result shows that 7.1% of respondents were strongly agreed and 53.6% respondents were agreed on the fact that the standard and procedures of section are reliable and applicable. In contrary 14.3% respondents were disagreed. The other 25.1% respondents were neutral. Therefore the result indicates that the department standard and procedures are reliable and applicable for auditors with mean value 3.54.

Q-No10, the internal control systems should also be well strong and adequate to protect the interests of the organization and its stakeholders. The working procedures need to be secured for effectively doing their tasks, hence our respondents reply shows that 3.6% strongly agreed and 48.2% agreed on the fact that there is loophole in the internal control system for abuse and fraudulent action. On the opposite 5.4% strongly disagreed and 16.1% disagreed on this issue. The other 26.8% respondents were reserved to give reply. The result indicated that there is a good internal controlling system that has not loophole for abuse and fraud with mean value 3.29. It helps the company efficiency and increase company performance by avoiding revenue leakage through internal control system loophole for abuse.

4.3.4 Competency

Table 4.5 Competency of internal audit staff

No	Item	Scale										Total		Mean	SD
		SA		A		N		D		SD		Fr	%		
		Fr	%	Fr	%	Fr	%	Fr	%	Fr	%				
1	Internal audit department engaged by audit professional staffs	5	8.6	27	46.6	16	27.6	9	15.5	1	1.7	58	100	3.45	0.921
2	Internal audit staffs have high performance.	4	6.9	19	32.8	26	44.8	6	10.3	2	3.4	57	98.3	3.30	0.886
3	Internal audit staff size in line with the company size and activity.	3	5.2	7	12.1	13	22.4	27	46.6	7	12.1	57	98.3	2.51	1.037
4	Internal audit staffs perform their activities professionally.	9	15.5	34	58.6	10	17.2	4	6.9	1	1.7	58	100	3.79	0.853
5	Internal audit department provide training regularly for its staff proficiency.	3	5.2	24	41.4	17	29.3	10	17.2	4	6.9	58	100	3.21	1.022
6	Internal audit department management evaluates and takes appropriate action on their staff regularly.	6	10.3	30	51.7	18	31	3	5.2	1	1.7	58	100	3.64	0.810

No	Item	Scale										Total		Mean	SD
		SA		A		N		D		SD					
		Fr	%	Fr	%	Fr	%	Fr	%	Fr	%	Fr	%		
7	Internal audit section occupied by senior/experienced staffs.	4	6.9	29	50	11	19	11	19	2	3.4	57	98.3	3.39	0.996

Source: Questionnaire results analysis by SPSS

Q-No1, the audit section needs professional staff with adequate experience and knowledge for successfully performing the audit task. Hence the result shows 8.6% strongly agreed and 46.6% agreed on the fact that internal audit department engaged by audit professional staffs. On the opposite 1.7% replied strongly disagree and 15.5% disagree on this issue. The other 27.6% remained undecided. On this regard the mean value 3.45 indicated that there is limitation on the section equipped with professional staffs.

Q-No2, performance is one of the key factors for company's good result, in Ethiopian airlines one of the measurement or evaluating tool is KPI, which is Key Performance Indicators it is supported by continual performance record to improve and encourage the performance of their staff, in company performance evaluating techniques it has its own measurement scale that rank its employees from top to low performer level based on the data gathered continually. Accordingly respondents replied with result of 7% strongly agreed and 33.3% agreed on the fact that the internal audit staffs have high performance. In contrast 3.5% were strongly disagreed and 10.5% disagreed about this issue. On the other hand 44.8% were neutral. This implies that there is a limitation on high performing staff in the internal audit section as the mean value 3.3.

Q-No3, having balanced employee size with the company capacity is necessary in order to be successful and efficient. In this research respondents replied that about 5.3% strongly agreed and 12.3% of the replied agreed on the fact that internal audit staff size in line with the company size and activity. In opposite 12.3% strongly disagreed 47.4% of our respondents replied disagreed on this issue. The other 22.8% of respondents were neutral. The result shows that there is imbalance between the task and work force in the internal audit section with mean value 2.51. The task load to internal audit staff is not in line with the number of staff, which implies there is a need to hire additional competent staff's.

Q-No4, audit tasks requires professionalism to be guided by internationally accepted policies and procedures, the profession requires its own work discipline, expertise etc. Therefore on this regard about 15.5% were strongly agreed and 58.6% respondents were agreed on the fact internal audit staffs perform their activities professionally. In opposite 1.7% strongly disagreed and 6.9% disagreed on this regard. On the other hand 17.2% were neutral. This implies that the internal audit staff performs their activities professionally with mean value 3.79. This implies that there is continual engagement between the staff to perform their activities in line with working procedures and guidance there for the output will be meaning full and effective.

Q-No5, providing refresh courses and additional courses add value for the staff to update their knowledge and upgrade themselves and to be effective on their jobs. In this research respondents show that about 5.2 strongly agreed and 41.4% of respondents agreed on the fact internal audit staffs perform their activities professionally. In contrary about 6.9%strongly disagreed and 17.2% disagreed on this regard. On the other hand 29.3% remain undecided. This implies the audit department lack to provide training with the mean value 3.21.

Q-No6, the company has its own evaluating system every six month and record every month the performance of the employee in the system the auditor can access to record its performance daily the management can review and may comment. As per data collection summary on this regard about 10.3% strongly agreed and 51.7% of replied as agreed on the fact internal audit department management evaluates and takes appropriate action on their staff regularly. In opposite 1.7% were strongly disagreed and 5.2% disagreed on this issue. The other 31% were neutral. Hence the result shows that managements evaluate their internal audit staff and take appropriate action regularly on the mean value 3.64.

Q-No7, in this research it is attempt to analyze the staff experience while it is helpful to work with more experienced staff. There for the respondents result shows that 7% of them replied as strongly agreed and 50.9% of them replied as agreed on the fact that internal audit section occupied by senior/experienced staffs. In contrary 3.5% of them replied strongly disagree and 19.3% of them replied as disagreed on this issue. The other 19.3% of them replied as neutral.

Thus this implies there is a limitation on senior experienced staff with the means value 3.39. While the more are experienced on the filed the better performance will be achieved.

4.4 Analysis of Qualitative data

One of the data collection tool was interview, on this thesis the interview question conducted to internal audit managers, hence these will discussed on the below both interview question and their reply.

Q1. How do you evaluate the quality of auditors' performance in identifying audit findings and follow-ups?

On this regard the managements has stated that internal auditors working under his supervision will be evaluated based on the presented audit findings, that means it is expected to be valid, clear, documented and precise audit findings. The finding value interpreted in terms of financial benefits to maximize benefit and close revenue leakages. Furthermore operational performance benefits also considered to minimizing the risk of company. Also it is evaluated in-terms of the benefit gives to process improvement and maximize the revenue generated and to deploy proper utilization of man power.

Q2. How do you evaluate the independency of auditors on their tasks?

According to this the management stated that, the auditors are fully independent on their audit task. The auditor has a right to argue with the manager freely on all process of audit task. When the manager have an issue on auditor audit finding the auditor will provide valid justification and documentation before forwarding to auditee section. On the audit finding there may have an open discussion on the auditor but no intervention on its independence on doing the audit task.

Q3. What is the administration reaction in solving the knowledge gap of auditors?

Based on the management response about this question, there is training prepared by MOFED as per a year to make capable the auditor thus most of senior auditors participate on this training to upgrade the knowledge and profession. In addition to this IAA prepare training for

Ethiopian airlines audit staff annually on thin training the audit staff attends actively. And also the senior staffs that attends the training given by MOFED and IAA they will coach the junior staff to update and experience sharing to fill the knowledge gap.

Q4. How does internal auditors employed, what are the criteria's and procedures?

The management response on this question, there is two way of employing audit staff, which is from external and internal vacant announcement of the company. On external vacancy most of business related professional from business fields and Information technology fields with high performance (GPA) fresh graduates and for internal vacancy most of them joined from finance, operational and information technology senior staffs department.

Q5. What are the criteria to conduct audit task?

The management response on this regard, to select the audit task one of the criteria to consider is materiality, risk area, etc. The risk area is determined using analysis and when there is fraud or some specific special antecedents the audit will conduct special audit task which is other than the planned audit. The special audit is conducted on specific area and for short period of time.

Chapter Five

5. Summary, Conclusion and Recommendation

5.1 Introduction

This chapter presents the overall summary, conclusion and recommendation driven from the findings of the research that were collected from questionnaire, hence this chapter will have three parts summary, conclusion and recommendation, the research concentration area is in determinants of internal audit effectiveness in Ethiopian airlines internal audit department, and it will be ground for future further study

5.2 Summary of major findings

In this section the summary of major findings that are collected from the questionnaire will be discussed in detail summarizing in two five parts.

5.2.1 Finding related respondent's profile.

In these research 60 employees were incorporated from internal audit section as a sample size to fill the questionnaire, although out of sixty only 58(96.66%) of them respond to the questionnaires we can say that most of the internal audit staff are participated on this research, gender wise 63% of the respondents were male and 37% female these could imply that most of the internal audit staff are male's. their educational background is reveal that most of the staff are degree holders and more experienced for the department.

5.2.2 Findings related Audit quality work

For the internal audit section meet the company objective it requires to performing its activities based of the expected standards and procedures and code of ethics to impact on the organizational performance and department's activity. The audit manual, the auditors has a guide line for audit work which is called professional practice frame(PPF) it is approved by the Institute of internal audit(IIA). The manual timely reviewed and updated when there is change. As per respondents summary report the annual plan of internal audit section is being conducted very well and the area covers to audit is limited to some concentration area agreed. The concentrated area mean, there is determination of risk area by using analysis (i.e. HR department may audit annually but purchase or disbursement department may audit frequently through a year). Determining audit area due to significance it help the auditor to focus on the main or specific area that may help the company

performance to increase by avoiding revenue leakage, exploring gaps and others and it maintains the audit quality. For the internal audit activity meet its goal the findings need to be solved with regular follow up till solved hence in this research examined that the section has strong controlling mechanism in monitoring audit findings till solved and check the corrective action taken by the audited section. Furthermore in this research to find all the necessary data and information from the audited section and positively accepting audit findings is being one of the challenges of internal auditors. Regarding document filing the internal audit section properly files the internal audit section activities. Finally, in this research the internal auditors perform their tasks in accordance with standards and procedure and they have close follow up by their immediate managements in doing their activities. The managements evaluate the auditor based on the presented audit findings that means it is expected to be valid, clear, documented and precise audit findings. The finding value interpreted in terms of financial benefits to maximize benefit and close revenue leakages. Furthermore operational performance benefits also considered to minimizing the risk of company. The management involvement in audit activities increases the creditability and quality of audit work. In contrast “the lack of attention by management may send a wrong signal about the importance of internal audit services to the auditee, which in turn adversely affects the auditee, attributes (Mihret and Yismaw, 2007).

5.2.3 Findings related independency of internal auditors

In this research examine the internal auditors and management relationship related to their activity hence observed that internal auditors are independent of management influence and can freely report to higher managements. On the audit finding there may have an open discussion on the auditor but no intervention on its independence on doing the audit task. In performing their activities accordingly to their plan, internal auditors will be challenged. Internal auditors assignment reshuffling is implemented on average and the probability of being assigned to previously working department for audit purpose somehow may occur. In receiving new staff that management will interact in evaluating and selecting new staff.

The studies that are conducted in developing countries particularly in Africa showed the non-independence to that of internal auditors work (Dawuda et al., 2015).

Independence of internal audit is considered by Zhang et al. (2007) as determinant of internal audit effectiveness. Cohen and Sayag (2010) also argue that organizational independence of internal audit affects internal audit effectiveness.

5.2.4 Findings related internal controlling system of audit section

The internal auditors perform their audit task on the assigned section having a good awareness of the section working system and process; this also helps to closely follow up the implementation of policies and procedures. On the other hand controlling the segregation of duties and responsibilities in department heads is one of the activities of internal auditor's responsibilities, in these regard the survey result shows that there is segregation of duties in each sections. Notifying gaps and non-compliance issues to their higher managements by the internal auditors which imply that the internal controlling system will not be affected by the fear of management staff or internal auditors neglect. Internal auditor's continuous assistance and recommendation for efficient internal controlling system and also the standard and procedure of the section working manuals and the reliability and applicability of the standards and procedures updated timely and practicable. Also the research findings reveal that there is a gap in internal controlling system of audit section.

If it fails to identify or avoid gaps in other areas of the internal control system that could cause the organization to fail due to weak internal audit performance. Kaplan (2007).

5.2.5 Finding related to professional competency

The internal audit department needs to have qualified and certified staffs order to perform its activity effectively, in this regard collected data through questionnaires and found that professional staff and experienced staffs are engaged in to this section, and the performance of the staff is good. When comparison the staff size and the work load of internal audit staff didn't match with the task that acquire, the department need additional staffs. Regarding empowering the staff through different training and knowledge share, internal audit section has to work hard in order to have trained and updated staff.

The size of internal audit staff and the competency of internal audit are the critical characteristics of internal audit quality that can't be separated. This means at the absence of one dimension the other cannot contribute to the quality of internal auditors Seol and Sarkis (2005) alike to our study

the size of internal auditors is insufficient to that of the scope of the work, these could lead to question the quality of the internal auditors work.

5.2.6 Summary of major findings from interview question

On this research thesis data were collected using questionnaires and interview questions; here we review the major findings execute from interview questions gathered from managements, hence on their reply we have noticed that findings will be sorted in terms of the value gives to the company, otherwise it will be rejected. The other one is internal auditors are supported to be equipped with professional trainings witch will be provided by internal and external training provisions mostly priority is given to senior staffs to be engaged on the training. Furthermore in requiting new staff the criteria to be included to be auditor is not limited to specific professions rather may include from different fields like business fields, Information technology fields, experienced operational staffs, engineering fields, since the area of assignment is varied on audit task.

5.3 Conclusion

The evaluation determinants of internal audit effectiveness in the internal audit division of Ethiopian Airlines has provided experience, a chance for improvement, and a way to keep and reinforce the positive aspects! The internal audit profession has its own discipline, work standards, and procedures, and noncompliance with them has an impact on the organization's performance either directly or indirectly. The airline's backbone is its internal audit division, which oversees all systems, procedures, and extravagance.

On the study concentrated to the determinants of internal audit effectiveness through audit quality, internal controlling system, internal audit independence and internal audit professional competency, in this regard the stated general objective and specific objective to meet, the data is collected through questionnaire distributed to management and internal audit staff's, to collect and analyze the data using SPSS software.

On this research activity we have examined the importance of balancing the work load and number of staff in-order to perform the audit activity very well hence even if the work load and the task force gets imbalance with internal audit section strictly adherence to the plan to

effectively perform assignment and meet goal. The auditors use PPF to conduct their audit tasks it is approved by IAA also the manual is used as a guideline for their tasks. Internal auditors also need to create awareness of their main objectives and goal since it is not for punishment. Gaps and loopholes need to be reviewed in the internal controlling system of audit section to strengthen audit section activities and finally the study examined that there is gap in providing all the necessary trainings and knowledge sharing in order to have equipped man power. These are some of the result of determinants of internal audit effectiveness summaries.

5.4 Recommendation

The overall objective of this study is to assess the internal audit effectiveness of Ethiopian airlines internal audit section, as it is known this research will give a ground for future research studies while by this topic there was no research paper studied.

The study has given opportunity to recommend some of the gaps related qualifying the staff in providing training and learning opportunities, as audit profession require being certified managements require to facilitate this opportunities to create professional auditors and provide training for junior audit staff. Need to reshuffling assignment consistently to make the audit free from biased and also to see the assignment based on the other auditor perspective. The audit section needs to cooperate with the auditor as the output of the auditor task for the benefit of company by increasing company performance and operation efficiency. Furthermore management staff should take measure in incorporating additional staffs while the work load didn't fit with the actual size of audit staff, because of these lots of sections will be missed to be audited. Some literatures also recommend having audit committee in order to evaluate management and audited section response for its accuracy and safety.

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Appendix 1: Questionnaires

Dear Participant:

The objective of this study is to assess internal audit effectiveness in Ethiopian Airlines Group. In this questionnaire I would like to assess if the internal audit is conducted in accordance with systematic and disciplined approach and assess the effectiveness of internal control in the case of Ethiopian Airlines Headquarter. Hence your genuine support and responding to the raised questions has a significant importance for the attainment of the study's objectives. Participation on this survey is voluntary and no individual data will be reported. If you are unsure or do not know the answer, leave the answer blank.

Please spare few minutes of your time and respond to the questionnaires below as honestly as you can. The information provided by you will be for academic purposes only and will be treated as private and confidential

Thank you for your commitment and cooperation in advance.

Section 1: General biographic information of survey respondents

- i. Sex
 - a. Male
 - b. Female
- ii. Age
 - a. Under 25
 - b. 25-35
 - c. 36-45
 - d. 46-55
 - e. Above 55
- iii. Educational qualification
 - a. Diploma
 - b. BSC/BA Degree
 - c. Masters
 - d. PhD
- iv. Year of service in Ethiopian Airlines
 - a. Less than 2years
 - b. 2 to 4 years
 - c. 5 to 7 years

- d. 7 to 10 years
- e. More than 10 years

Section 2: Internal audit effectiveness in Ethiopian Airlines

Please indicate whether you agree or disagree with each statement by ticking (√) on the spaces that specify your choice from the options that range from “Strongly Agree,” which is represented by “5” to “Strongly Disagree,” represented by “1”.

Note:- Strongly Agree = “5”, Agree = “4”, Neutral = ”3”, Disagree = “2”, and Strongly Disagree = ”1”.

S.No.	Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
	A. Statement regarding the quality of internal audit works					
1	The internal audit department set audit plan every annum.					
2	Auditing is conducted on some significant area of business unit.					
3	The internal audit activities cover all the section in Ethiopian airlines.					
4	Internal auditors regularly monitor the audited section for audit findings to be resolved.					
5	The audited section provides all the necessary data and assistance for internal auditors.					
6	The audited section reply positively for audit findings					
7	The auditors check the corrective action taken and correctness of audited section					
8	The audit department properly files the audit section activities.					
9	The audit department performs its activity based on the procedures.					
10	The audit management closely follow-up the internal auditors activities.					
	B. Statement regarding internal audit staff independency					

S.No.	Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
11	Internal auditors have independence on its audit activity.					
12	Internal auditors have freedom on reporting findings to higher managements.					
13	Internal auditors perform their activities according to their plan.					
14	Internal auditors assignment reshuffle with schedule					
15	Internal auditors do not be assigned to audit on previously assigned sections.					
16	Internal auditors get the financial budget for its activities on timely bases.					
17	The audit management has full authority and freedom to receive new staff and assign.					
	C. Statement regarding internal control system					
18	The internal auditor is aware of every system and process on the assigned section.					
19	The internal auditor is efficient in evaluating the system and process regarding the assigned section.					
20	The internal auditors closely follow-up the implementation of policies and procedures.					
21	Internal auditors ensure the implementation of segregation of duties within departments.					
22	The internal auditors notify internal controlling system gaps to the higher managements.					
23	The internal auditors report noncompliance issues to their management till solved.					
24	The internal audit department avail helpful recommendation for efficiency of internal controlling system.					
25	The standard and procedures of sections are updated timely as it is needed.					
26	The standard and procedures of section are reliable and applicable.					

S.No.	Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
27	There is loophole in the internal control system for abuse and fraudulent action.					
	D. Statement regarding audit staff competency					
28	Internal audit department engaged by audit professional staffs					
29	Internal audit staffs have high performance.					
30	Internal audit staff size in line with the company size and activity.					
31	Internal audit staffs perform their activities professionally.					
32	Internal audit department provide training regularly for its staff proficiency.					
33	Internal audit department management evaluates and takes appropriate action on their staff regularly.					
34	Internal audit section occupied by senior/experienced staffs.					