



ADDIS ABABA UNIVERSITY
SCHOOL OF BUSINESS AND ECONOMICS
DEPARTMENT OF ACCOUNTING AND FINANCE PROGRAM
OF MSC ACCOUNTING AND AUDITING

DETERMINANTS OF INTERNAL AUDIT EFFECTIVENESS IN OROMIA
SPECIAL ZONE SURROUNDING FINFINNE ADMINISTRATION FINANCE
AND ECONOMIC COOPERATION OFFICES, ETHIOPIA

A RESEARCH PROJECT PAPER SUBMITTED TO THE DEPARTMENT OF
ACCOUNTING AND FINANCE COLLEGE OF BUSINESS AND
ECONOMICS

PRESENTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR
THE MASTER DEGREE OF SCIENCE IN ACCOUNTING AND AUDITING
(MSC)

BY
WORKU W/SENBET

SEPTEMBER, 2019

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Declaration

I hereby declare that this work entitled “determinants of internal audit effectiveness: in oromia special zone surrounding Finfinne administration finance and economic cooperation offices” is my own work and that, to the best of my knowledge and belief, it contains no material previously published or written by another person nor material which has been accepted for the award of any other degree or diploma of the university or other institute of higher learning, except where due acknowledgment has been made in the text.

By: Worku W/senbet

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Date _____

Advisor’s Approval

This Research Project paper has been submitted for examination with my approval as a University advisor.

Advisor: Tekalign Nega (Ph.D) Assistant Professor

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Approval of Board of Examiners

As members of project Approval Board of Examiner we certify that we have read the project prepared by Worku W/senbet entitled “determinants of internal audit effectiveness: in oromia special zone surrounding finfinne administration finance and economic cooperation offices” and submitted in partial fulfillment of the requirements for the MSc Degree in Accounting and Auditing complies with regulation of the university and meets the accepted standards with to originality and quality.

Approved by Board of Examiners

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Acronyms and abbreviations

ACIAS	Adequate and Competent Internal Audit Staff
FEC	Finance and Economic Cooperation
IA	Internal Auditors
IAE	Internal Audit Effectiveness
IAF	Internal Audit Function
IIA	Institute of Internal Auditors
MFEC	Municipalities Finance and Economic Cooperation
MoFEC	Ministry of Finance and Economic Cooperation
AIAC	Approved Internal Audit Charter
MS	Management Support
OFEC	Office of Finance and Economic Cooperation
IIA	Independence of internal auditor
SPSS	Statistical Package for Social Science
WFEC	Woredas finance and Economic Cooperation
ZFEC `	Zonal finance and Economic Cooperation

Abstract

The main purpose of the study is to identify the determinants of internal audit effectiveness in oromia special zone surrounding finfinne administration finance and economic cooperation offices. The study adopted a cross-sectional descriptive research design using quantitative method for data collection and analysis purpose. The researcher analyzed the collected data using descriptive statistics and inferential statistics.

Regressions result shows that in oromia special zone surrounding finfinne administration finance and economic cooperation offices has lower of mechanisms reached to 14.5% of audit accomplishment in place to follow up the implementation of internal audit recommendations; absence of strategic plan and consistent documentation styles for audit work, lack of resources, poor leadership for internal audit function (IAF), absence of appropriate framework to measure IAF performance, and lack of competent personnel are also some challenges of internal auditors. In other hand, given the fact from regressions result that internal audit activities are performed was found that to 1% of dynamic management process and more supportive environment, internal auditor expects senior management to take the first steps to support the internal audit process.

Result, regarding to Independence/ Objective of internal audit has 5.5 % positively affected the internal audit effectiveness in oromia special zone surrounding finfinne administration finance and economic cooperation offices which is not significantly related to IA process. The result may have related to influence effective audit activities is independence and objective of auditors may enable the completion of auditing without interference.

Result regarding to Competence of internal audit has 0.1% positively contributions to the internal audit effectiveness in oromia special zone surrounding finfinne administration finance and economic cooperation offices which have no significance relationship. Result regarding to the approved internal audit charter has 36.4 % negatively influences to the internal audit effectiveness in oromia special zone surrounding finfinne administration finance and economic cooperation offices which has a significance relationship to the existence of audit charter to organization influenced negatively by the senior management to flow the recommendations of the internal auditor which in turn affects internal audit effectiveness.

Keywords: Internal Audit, competence, independence, management support, approved internal audit charter and internal audit effectiveness.

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CHAPTER ONE

1. INTRODUCTION

1.1. Background of the Study

In the country that is administered in a democratic policy needs to be accountable in its use of public money and in providing effective, efficient and economical service delivery. To achieve those government objectives applying internal audit function were the major mechanism for controlling and using of all scarce resources available in the corporate organization. Ever larger and complex systems require greater competitiveness, thus internal audit has had to become ever more professional (Gansberghe, 2003).

In addition, the Cooperation in internal audit profession brings change in the scope and functions of internal audit customers. Previously internal auditors were seen just as an assistant of accountant's and an external auditor but recently internal audit is certainly is considered an independent profession, which is playing a significant role in the management of organizations. Besides, independent of internal auditors have always been a sensitive issue while he/she is the employees of the organization, above all, not clearly organized structure or reporting line make the problem more complicated in such offices (Rupsye, 2005).

Public sector offices are part of the public body which is partly or wholly financed by government budget and concerned with providing basic government services to the whole society (Ministry of Finance and Economic Cooperation (MoFED, 2004). The compositions of the public sectors are varied by their function and purposes, but in most cases, they are designed in order to enable the public sectors to achieve their goals.

The public sector provides services such as banking service, financing, education, communication service, healthcare, police, transportation, electric services, security and so on, which benefit all of the society and encourage equal opportunity to benefit from those services provided (Mihret & Yismaw, 2007). This research was focused on the determinants of Internal Audit Effectiveness in the selected Public sector office found in Oromia special zone surrounding Finfinne administration. Mostly, the efficiency and effectiveness of the management operations in public sector are ensured by the effectiveness of its employees.

1.2. Statement of the Problem

Internal auditors which are the focus of this study and also the key employee of public offices are expected to work independently and objectively to enhance high quality of public services, achieve good internal control system, avoid corruption, ensure good corporate governance system, promote accountability and greater transparency (Coram et al, 2008, Peurseem 2005 & Belay, 2007).

Therefore, it is important to have effective internal audit unit as part of modern governance system in public sector offices. In corporate governance internal audit (IA) issue has received increasing attention in recent years, due to different reasons. To mention some of them, internal audit links to the internal control risk management system; improve organizational efficiency and effectiveness through providing constructive criticism and recommendations about organizations status; reduce information asymmetry during decision making; serves as an important internal assurance in the business and financial reporting process of corporations (Soh & Bennie, 2011; Cohen & Sayag, 2010; Mihret & Yismaw, 2007).

Additionally, in the accounting profession, audits play an important role in serving the public interest by increasing the accountability of managers and reinforcing trust and confidence in financial reporting process and they serve as an important link in the business and financial reporting process of corporations and not for profit providers at organizational level (Reynolds, 2009). In connection with this, internal audit identifies weak links in the system as well as creates potential opportunities for improvement and act as a feedback mechanism for the top management. Hence, organizations seeking a suitable and effective quality management system need to conduct internal audits to ensure that the system functions as intended (Lindow & Race, 2002).

Moreover, the new Institute of Internal Audit's (IIA, 2001, P. 63) board of directors defined internal audit as:

“An independent, objective assurance and consulting activity designed to add and improve an organization's operations. It helps an organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.”

These definitions give us a broad clue about importance and contribution of internal audit functions in the organizations. For example, internal auditing is involved in consulting

activities, and value added contributions for the evaluation and improvement of the effectiveness of risk management and governance process (IIA, 2001). This shows the roles of internal auditing is moving away from the narrow scope of measuring and evaluating the effectiveness of internal controls towards a broader scope of activities that creates opportunities for the internal auditing profession and to receive more attention in corporate governances.

Even though, the internal auditors have many roles and contributions to the organization and the public interest, it also faces many challenges from the organization they work. Some of the challenges identified by the Ministry of Finance and Economic Cooperation (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 Cooperation.

In addition, Mihret and Yismaw (2007) in their case study on Ethiopian Public Universities, they argue that internal audit recommendations are not afforded enough management attention and support which adversely affect the effectiveness of internal audit. Moreover, lack of mechanisms in place to follow up the implementation of internal audit recommendations; absence of strategic plan and consistent documentation styles for audit work, lack of resources, poor leadership for internal audit function (IAF), absence of appropriate framework to measure IAF performance, and lack of competent personnel are also some challenges of internal auditors (Mihret & Yismaw, 2007; belay, 2007).

The internal audit function (here after referred as IAF) lies at every heart of corporate governance system. Because, it makes line managers conscious of their responsibility; acts as a consultant in monitoring risk; identifies weakness of internal control system; facilitates the implementation of risk management and contributes to the appropriateness of procedures and operations of the organization.

However, despite of IAF roles; as I asses a report of the past three years, a finding of external audit of Oromia is increasing year to year because a management response to the internal audit findings and recommendations is generally not adequate, and the number of actual audit performed in a given period is usually less than the number of audits stated in the annual audit plan in oromia public sectors.

In addition, IAF in oromia public sectors is characterized by gaining less management respect; lack of organizational independence; absence of professional Cooperation; delegating internal auditors too many tasks and being ignored (conflict of interest). The study conducted by Mihret and Yismaw, on internal audit effectiveness in an Ethiopian public sector case study also forwarded that internal audit recommendations were not afforded enough management attention and support which may adversely affect the effectiveness of internal audit. This lack of internal auditor credibility in public sectors' governance may have greater implication for less effectiveness of internal auditors in public offices. From the management's point of view, internal auditor's recommendations are might not appropriate to implement and to use in decision-making and might not add more values. This decreases the degree of internal audit credibility and makes the line managers to be less active in implementing their recommendations.

These greatly doubt the IAF effectiveness in public sector offices. Even if there is a research on a matter but it is not comprehensive. So this study tries to generalize somewhat by increasing populations. Thus, this study was design to investigate determinants of internal auditors' effectiveness in public sectors and will focus on how to improve their effectiveness. In line with this, the effects of management support to IAF, independence internal audit, adequate competent internal audit staff, and existence of approved internal audit charter on internal auditors' effectiveness was analyzed.

1.3. Objectives of the Study

1.3.1. General objective

The general objective of this study was to identify the factors that affect the effectiveness of internal audit in Oromia Special Zone Surrounding Finfinne Administration Finance and Economic Cooperation, Ethiopia.

1.3.2. Specific Objectives

The specific objectives of the study are lists as follows:

- 1) To examine the contributions of management support for IAE in Oromia Special Zone Surrounding Finfinne Administration Finance and Economic Cooperation.
- 2) To examine the contributions of independence of internal auditors for IAE in Oromia Special Zone Surrounding Finfinne Administration Finance and Economic Cooperation office.

- 3) To examine the contributions of adequate and competent internal auditors staff for IAE in Oromia Special Zone Surrounding Finfinne Administration Finance and Economic Cooperation office.
- 4) To examine the contributions of approved internal audit charter for IAE in Oromia Special Zone Surrounding Finfinne Administration Finance and Economic Cooperation office.

1.4. Research hypothesis

The research is designed the following direction hypothesis;

H1: Management supports have positive and significance effect on the internal audit effectiveness in the public sector offices.

H2: The auditor independence for internal audit has positive and significance effect on the internal audit effectiveness in the public offices.

H3: The presence of adequate and competent of IA staff in the public sector offices has positive and significance effect on the internal audit effectiveness.

H4: The availability of approved IA charter in the public sector offices have negative and significant influence with the internal audit effectiveness in the public sector offices.

1.5. Significance of the Study

The internal auditors have a significant impact to control any non-compliance activity in line with the established policies, plans, procedures, laws and regulations, set by the government which could have a significant impact on the organization's operations. The internal auditors are also essential to add or create value to the organizations, to avoid failure and to save the operating and administration costs in accordance with the organization's policies and procedures.

Therefore, this research is very essential to show the effectiveness of the internal auditors by assessing the factors which determines the public sectors internal audit effectiveness. In addition, this research is important for the empirical evidences for the public sector offices to examine their policies and procedures, and for the future researchers also important to develop a conceptual literature Cooperation.

1.6. Scope and limitation of the study

1.6.1 Scope of the study

Due to the time and cost constraints, the study has been delimited to the five municipalities and one zonal head office of Oromia Special Zone Surrounding Finance and Economic Cooperation offices.

1.6.2. Limitation of the Study

In spite of the researcher's efforts to gather the necessary information as objective as possible, the analysis of this study was based on the opinion of respondents, so the respondents were not cooperate well to fill and give all the necessary data. This may in turn limit the ability to make broader generalization from the study undergone.

1.7. Organization of the Study

In addition to the preliminary page, this research paper consists of five chapters. The first chapter with its sub topics was introductory parts incorporated background of the Study, statement of the problem, research objectives, research questions, significant of conducting the study, scope and limitation of the study, and the Organization of the Study. The second chapter describes the detail review of related literatures with regard to the internal audit effectiveness and the variables which affect the internal audit effectiveness. The third chapter expresses the information regarding the sampling techniques used to conduct the research. The fourth chapter is the analysis, discussions and presentation part of the research findings and finally, the last chapter describe about the conclusions and recommendations of the case study followed by the references and appendixes.

CHAPTER TWO

2. Literature Review

2.1. Theoretical Review

2.1.1. Internal Audit and Related Literature

Different literatures define internal audit in different ways but the standard definition is made up of important issues that form the basic framework of internal audit principles. A simple and more traditional meaning of internal auditing is defined as: an independent appraisal function established within an organization to examine and evaluate its activities as a service to the organization. Later on, the new Institute of Internal Audit defined internal audit as “an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations”. It helps an organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes (IIA, 2001, P. 62-63).

According to this definition the major scope of the internal auditors are making assurance to the organization and giving consultant services to the overall managements of the corporate governance. By providing the independent opinion and conclusions regarding the operation, function, system and wellbeing of the organization the IA can provide assurance services; and by giving the advisory service based on the specified requests of an engagement client the internal auditor can give the consulting service to the organization. Internal audit are the mechanism through which information about the effectiveness of the quality system is gathered by auditors selected from within the company but, who are independence of the area, function or procedures being audited. Or the Internal Audit Function (IAF) is the mechanism through which the operation of the quality management system is formally monitored and in accordance with the documented quality system is assured (MoFED, 2004). The Statement on Auditing Practice of the Institute of Chartered Accountants of India describes internal audit as “the plan of organization and all the methods and procedures adopted by the management of an entity to assist in achieving management’s objective of insuring, as far as possible, the orderly and efficient conduct of its business, including adherence to management policies, the safeguarding of assets, prevention and detection of

fraud and error, the accuracy and completeness of accounting records and timely preparation of reliable financial information.

On the other hand, internal audit is a critical appraisal of functioning of various operations of an enterprise including the functioning of the system of internal check. Exceptions from normal functioning of internal check system are exposed in internal audit. Accuracy, completeness, reliability and timeliness of accounting information are tested and reported for remedial action. Non-accounting areas with the operational side of enterprise are critically studied, analyzed and weakness of the system or practice with inefficiency, wastage and frauds are brought to the notice of the management. Suggestions for increasing the effectiveness of the system, for improving the productivity and profitability of business practices are offered. Internal audit is the independent appraisal of activity within an organization for the review of accounting, financial and other business practices as a protective and constructive arm of management. It is a type of control which functions by measuring and evaluating the effectiveness of other types of control (B.N. Tandon 14th edition, p.112-115).

Professor Walter B. Meigs of America says internal auditing consists of a continuous, critical review of financial and operating activities by a staff of auditors functioning as full time salaried employees. Internal audit implies an audit of the accounts by the employees of the business. The work is done by a separate set of staff that may or may not have professional audit qualifications. The function of an internal auditor is practically the same as that of an auditor. In addition to that an internal audit has to see that there is no wastage and the business is carried on efficiently and effectively. Again if an internal auditor finds that as a result of the inefficiency of the management, the management has suffered a loss, it is his duty to report the fact. The IA has to be reported to the management whether the policy and plans of activities prescribed by them have been implemented, whether the internal controls and checks established were adequate, whether the actual results obtained were varying from the estimates, etc. to enable the management to achieve the objective of the company in the planned manner (Shewamene, 2014).

2.1.2. Types of Audits Performed by Internal Auditors

Internal auditing may be performed in many different ways and there are a variety types that may be applied to discharging the audit role (Arens, 1999, p. 12).

These audits include: **Operations Audits:** These audits examine the use of resources to determine if resources are being used in the most effective and efficient manner to fulfill the organization's mission and objectives.

Financial Audits: These audits review accounting and financial transactions to determine if commitments, authorizations, and receipt and disbursement of funds are properly and accurately recorded and reported. This type of audit also determines if there are sufficient controls over cash and other assets and that adequate process controls exist over the acquisition and use of existing resources.

Compliance Audits: These audits determine if entities are complying with applicable laws, regulations, policies and procedures. Examples include federal and state laws, and Trustee policies and regulations.

2.1.3. Internal Audit Effectiveness

A number of researches had been done in the area of the IA in private and public sector. "The fact that effective IA can contribute to the significant impact to the quality of management has raised the interest for researchers to explore into this matter". The effectiveness of internal audit greatly contributes to the effectiveness of each auditee in particular and the organization at large. Dittenhofer (2001) has also observed that "if internal audit quality is maintained, it will contribute to the appropriateness of procedures and operations of the auditee, and thereby internal audit contributes to effectiveness of the auditee and the organization as a whole and The IA findings and recommendations are clearly crucial to the management of public office to follow through and immediately rectify the problems in the organization". Mihret and Yismaw (2007) suggested public sector organizations are required to have an internal audit function to support effective management in managing public funds. So many findings from the research done linked the effectiveness of the internal auditor contribution to effective management and internal control of the public sectors. According to Okafor Ibadin (2009) "the internal audit exercises a critical role in improving corporate governance in organizations." In terms of accountability and management relationship, Saren and De Beelde (2006) found that "Internal Auditors are playing a pioneering role in the creation of a higher level of risk and control awareness in managing risk in the management system. Internal audit is a comfort provider to the Audit Committee especially in its assurance role and its involvement in improving internal control. "Van Gansberghe (2005) explained that " Internal audit effectiveness in the public sector should be evaluated by the extent to which it contributes to the demonstration of effective and efficient service delivery,

as this drives the demand for improved internal audit services. Based on the results of a consultative forum that focused on improving public sector internal audit, Effective internal audit undertakes an independent evaluation of financial and operating information, of systems and procedures, to provide useful recommendations for improvements as necessary. ” Using agency theory, Xiangdong (1997) explained “The role that internal audit plays in an economy and points out that internal audit has an advantage over external audit in obtaining information quickly and finding problems at an earlier stage. ” Sparkman (1997) applying the theory of transaction cost economics, demonstrated how internal audit recommendations are important to the management of government organizations.

Four potential factors that affect IA effectiveness are identified: management support, the independence of internal, the competence of internal audit staffs, and internal audit charter.

2.1.4. Internal Audit Effectiveness frame work

Effectiveness is the achievement of internal auditing goals and objectives using the factor measures provided for determining such factors (Dittenhofer, 2001). That is, effectiveness in terms of achieving the IA goals and objectives, though interpreted in different ways. Mihret and Yismaw (2007) described the characteristics of effective internal audit unit from the internal audit point of view. Effective Internal Audit (IA):

- Undertakes an independent evaluation of financial and operating systems and procedures;
- Contributes to the achievement of organizational goals;
- Needs management’s commitment to implement recommendations;
- Provides useful recommendations for improvements as necessary
- Affected negatively by lack of attention from management which in turn adversely affects the auditee attributes; and
- Management support is a natural quid pro quo for effective internal audit.

2.2. Empirical Review

The study conducted by Mihret et al. (2007) investigated that internal audit service of a large public sector higher educational institution, to identify factors influencing internal audit effectiveness by considering four interrelated factors: internal audit quality; management support; the organizational setting; and attributes of the auditees. They investigated as the findings of the study the internal audit office of the organization studied needs to enhance the technical proficiency of the internal audit staff and minimize staff turnover so as to foster audit effectiveness. The organizational status and internal organization of the audit office are

fairly rated, but internal audit's lack of authority on budgets reduces its control of resource acquisition and utilization. The scope of internal audit services is limited to regular activities. Extending the scope of services by widening the range of systems and activities audited, with appropriate risk analysis, would improve audit effectiveness. Management's commitment in providing greater attention to internal audit recommendations and staffing the office with well-qualified employees deserves attention in this study. The internal auditors, under the impression that their reports are not sufficiently utilized by the management, may not be encouraged to exert the maximum possible effort in their engagements. In addition, 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. The study has shown that internal audit of the organization studied needs improvement in the areas of audit planning, documentation of audit work, audit communications and follow-up of recommendations. Audit effectiveness could be enhanced by ensuring consistency in documenting audit work to enable improved review of audit work; proper follow-up of the status of audit findings and recommendations; increased distribution of audit reports; and further improvement in the quality of reporting. The limitation of this study is readily apparent. As in all case studies, the generalizability of the findings and the conclusions drawn is limited, although the study does provide evidence of the problems internal auditors face in providing an effective service to management. Further, research could be welcome to fully understand the level of internal audit effectiveness in the Ethiopian public sector vis-à-vis its private sector, with a view to highlighting differences, if any, and conclusively defining the variables affecting internal audit effectiveness in Ethiopia.

As the main aim of this research is to assess the factor that affect the effectiveness of internal audit in the public business sector enterprise, different authors and researcher's idea and recommendations regarding the related topic of internal audit are analyzed and presented. Although the prologue of internal audit in Ethiopia was dated in the 1940s the time also the United States and most European countries are adapted. The effectiveness of internal audit in the public sector is challenged because of the factors that hinder the Cooperation of IA in Ethiopia. For the ease of presenting the literature those studies regarding the main factors that influence the effectiveness of internal audit in the public business enterprise sector; such as the perceptions of the management, management support, organizational independence of internal auditors, adequate competent of IA staff and the presence of IA charter reviewed from different researchers are included in these literature.

2.2.1. Factors that determine effectiveness of internal audit

2.2.1.1. *Management Support to the Roles of EIA*

Internal auditors have a close relationship with organization's management in their day to day activities. They need good support from their management to be more effective and to achieve the audit objectives. Management support is expressed in terms of supporting the auditing process by fulfilling the necessary resources, finance, transport if required, providing training, introducing auditors with new technology and procedures, budgeting funds for certification and other facilities that facilitate the internal auditing works.

Management support has a far-reaching consequence on IA effectiveness in organizations. For example, Mihret and Yismaw (2007) in their case study of IA effectiveness on public sector shows that the component of management support consists of the response to audit finding and the commitment to strength internal audit which has significance influence on IA effectiveness.

Given the fact that internal audit activities are performed in dynamic management process and more supportive environment, internal auditor expects senior management to take the first steps to support the IA process. Because, Sarens and Beelde (2006) argue that the overall acceptance and appreciation of IA within the company is strongly dependent upon the support they receive from senior management. Internal audit actively seeks management support with resources, commitment to promote and communicate their added value.

The management support is almost crucial to the operation and internal audit; because all other determinants of IA effectiveness derive from the support of top management, given that hiring proficient IA staff, developing career channels for IA staff, and providing organizational independence for IA work are the results of decisions made by top management (Cohen & Sayag, 2010). this means it is the interest of management to maintain a strong internal audit department (Adams, 1994; Mihret and Yismaw, 2007).

In addition, implementation of audit recommendations is highly relevant to IA effectiveness (Sarens and Beelde, 2006; van Gansberghe, 2005) which is the component of management support (Mihret and Yismaw, 2007). The management of an organization is viewed as the customer receiving IA services. As a result, management's commitment to use audit recommendations and its support in strengthening internal audit is vital to IA effectiveness.

Therefore, audit finding and recommendations would not serve much purposely unless management is committed to implement them. Furthermore, Belay, (2007) find that to curb corruption and inefficiency in the public sector of Ethiopia, it is mandatory to have effective

internal audit function (IAF) that in turn needs appropriate governance structure, mobilizing sufficient and appropriate resource and competent personnel.

2.2.1.2. Independence of Internal Audit

One of the factors that may influence effective audit activities is independence and objective of auditors as this would enable the completion of auditing without interference. Independence of internal auditing in terms of assurance services and consultations are both importance and are closely linked to the freedom from interference on objectivity and compromise while auditing (IIA, 1999). The independence and objectivity are key elements of the effectiveness of IA (Mutchler 2003, Ahmad et al. 2009; Al-Akra et al. 2016).

ISPPIA (Standard 1100) requires that the internal audit department must be independent and internal auditors must be objective in achieving their work to add value to the organization. For instance, the assurance services provided by auditors derive their value and credibility from the fundamental assumptions of independence of mind and independence in appearance (Wines, 2012; Stewart & Subramanian, 2010).

In addition Alzeban and Gwilliam (2014) also confirm that increasing weight is now being placed on the need for internal auditors to be independent and objective, even though they are normally employees of organizations. They stated lack of independence as the main obstacle to satisfactory internal audit performance in a number of developing countries (Alzeban & Gwilliam, 2014). Moreover, internal audit independence according to prior studies (Abu-Azza, 2012; Cohen & Sayag, 2010; Mihretet al., 2010), definitely relates with perceived effectiveness of IA.

Regardless of its importance, independence of IA has received minimal attention from researchers. Accordingly, this study enhances the findings of the earlier studies as it looks into the association between internal auditor independence and IA effectiveness.

2.2.1.3. Competency of Internal Audit staffs

Adequate staffing is essential for a system to its full capability. Weakness in staffing can lead to mismanagement, error and abuse, which can negate the effect of other controls (MoFED, 2004). The size of IA staff and the competency of internal audit are the critical characteristics of IA quality that can't be separated. This means at the absence of one dimension the other cannot contribute to the quality of internal auditors.

The empirical findings by Al-Twaijry et al. (2004), based on questionnaire and interview responses from internal and external auditors, working in Saudi Arabia, suggests that the external auditors believe that IAF size is an important indicator of its quality. In addition, large size of IA staff has many benefits for internal operations of IA unit. For instant, larger sized functional units, there will be more opportunity and flexibility to have a staff rotation schedule that can also influence IA effectiveness by promoting a healthier relationship and resulting in more objective audit investigations. Furthermore, Zain et al. (2006) argue that a larger size internal audit is likely to be better resourced, including having a broader work scope, higher organizational status and wider staff talent than a smaller unit. Likewise, the quality of IA work is likely to be higher in internal audit units with a larger proportion of staff with audit experience than those with a lower proportion of audit experience.

Appropriate staffing of an internal audit department and good management of that staff are keys to the effective operation of an internal audit. An audit requires a professional staff that collectively has the necessary education, training, experience and professional qualifications to conduct the full range of audits required by its mandate (Al-Twaijry et al, 2004). Auditors must comply with minimum continuing education requirements and professional standards published by their relevant professional organizations (IIA, 2001).

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). additionally, the critical dimensions of IAF is the quality of its internal auditing staff measured in terms of internal auditors skill (Seol et al, 2011; Leung and Cooper, 2009; Seol and Sarkis, 2006). As part of this, Competency Framework for Internal Auditing (CFIA) focuses on the skills needed by an individual person to be an efficient internal auditor.

The literature review specifically conducted on the communication skills (Smith, 2005) stated that the development of effective communication skills (such as listening, interpersonal, written and oral communication skills) is an important part of internal auditor's advancement potential. Internal auditors must possess highly developed communication level skills to become a successful professional. The development of these skills is not only enhances the auditor's potential, but will also improve the quality of audits produced.

In addition to the above dimension of IA quality, the competence of internal auditors can be measured in terms of academic level, experience and the efforts of staff for continuous professional development and compliance with audit standards. Both the quantity of audit effort and the quality of professional care exercised will determine the overall quality of the internal audit work (Cohen & Sayag, 2010; Leung and Cooper, 2009; Belay 2007). Arena and Azzone, (2009) also stated that IA effectiveness increase in particular when the ratio between the number of skilled internal auditors and employees grows. This shows that sufficiently large number of skilled professionals enables the IA to do its duties.

Auditors' competency contributes to the ability of the auditors to perform the systematic and discipline audit approach to improve the effectiveness of internal audit. IA can effectively carry out their duty in the public sector if there are enough IA personnel with required competencies. This competence intern depends on educational level, professional experience, continuous training, and the effort of the staffs for continuing professional Cooperation (Mihret and Yismaw, 2007 & Unegbu & Kida, 2011).

2.2.1.4. The Approved Internal Audit Charter

Internal audit charter is defined by the IIA as “a formal written document that defines the activity's purpose, authority and responsibility. The charter should be (a) establish the internal audit activity's position within the organization; (b) authorize access to records, personnel and physical properties relevant to the performance of managements; and (c) defined the scope of internal audit activities' (IIA, 2001). Additionally, an internal audit charter typically includes the responsibilities of the IA in broad terms, the standards followed by the IA; and the relationship between the IA and the audit committee.

It may also defines access to the information (documents, records, systems, and personnel) necessary to perform and reach conclusions on the work, and it is a vehicle for asserting that there are no unreasonable limitations on the scope of the auditor work. The charter should clearly identify and record any limitations and alter to actual or potential changes on internal and external conditions that affect its ability to provide internal control assurance from a forward looking perspective (O. Regan, 2002).

Different authors have been explained the presence of defined audit charter in organizations will helps auditors to be effective. For instance, O. Regan (2002) concludes that a well drafted charter is an important ingredient for the IA effectiveness. It helps to direct the efforts of audit staff and defines what the board can expect on the assurance it required on internal

control from an IA. Van Peurseem (2005) added that the presence of a strong charter adds an official and respected layer of authority to the position of IA in the company. It is also an important feature of insuring success in achieving the independent status of an IA. Furthermore, the existence of audit charter in organization influences senior management to flow the recommendations of the internal auditor (Van Peurseem, 2005) which in turn affects IA effectiveness.

2.3. Summery

Despite increasing attention to the IA's role within corporate governance, only limited researchers have been examined the determinants of effectiveness of its function. A number of these studies were IA related and organizational characteristics to the effectiveness of its function. For example, similar understanding of IA as value adding activity by management and its customer will increase the possibility of regular utilization of IA services and recommendations, that in turn related with IA effectiveness (Flesher and Zanzig, 2000; Arena and Azzone, 2009). In assessing the organizational delivers of IA effectiveness added that the size of internal auditors team and the involvement of audit committee in internal auditors activities are positively related with internal audit effectiveness (Arena and Azzone, 2009).

The advantage of having IA function within the organization was increasing the likelihood of detecting and self-reporting fraud than outsourcing functions. Nevertheless, the possibility of realizing these advantages is determined by different organizational characteristics (Coram *et al.*, 2008). As Cohen and Sayag (2010) find top management support was strongly and consistently related to the three internal audit dimensions such as auditing quality, auditee evaluations and the value added contributions.

In addition, they stated that the greater the Independence of Internal Audit increases positive internal auditee evaluation. Furthermore, the size of internal auditors staff, skills and experience of internal auditors, continues professional development and academic level are the best indicators of internal audit quality (Arena and Azzone, 2009; Cohen and Sayag, 2010; Al- Twaijry *et al.*, 2004).

Finally, a well-defined internal audit charter will helps internal auditors to be effective and contributes to achieve the attempt of ensuring independent status of internal auditors (Van Peurseem, 2005; O'Regan, 2002). The current research was investigated the determinants of internal audit effectiveness in the public sector offices based on the management support,

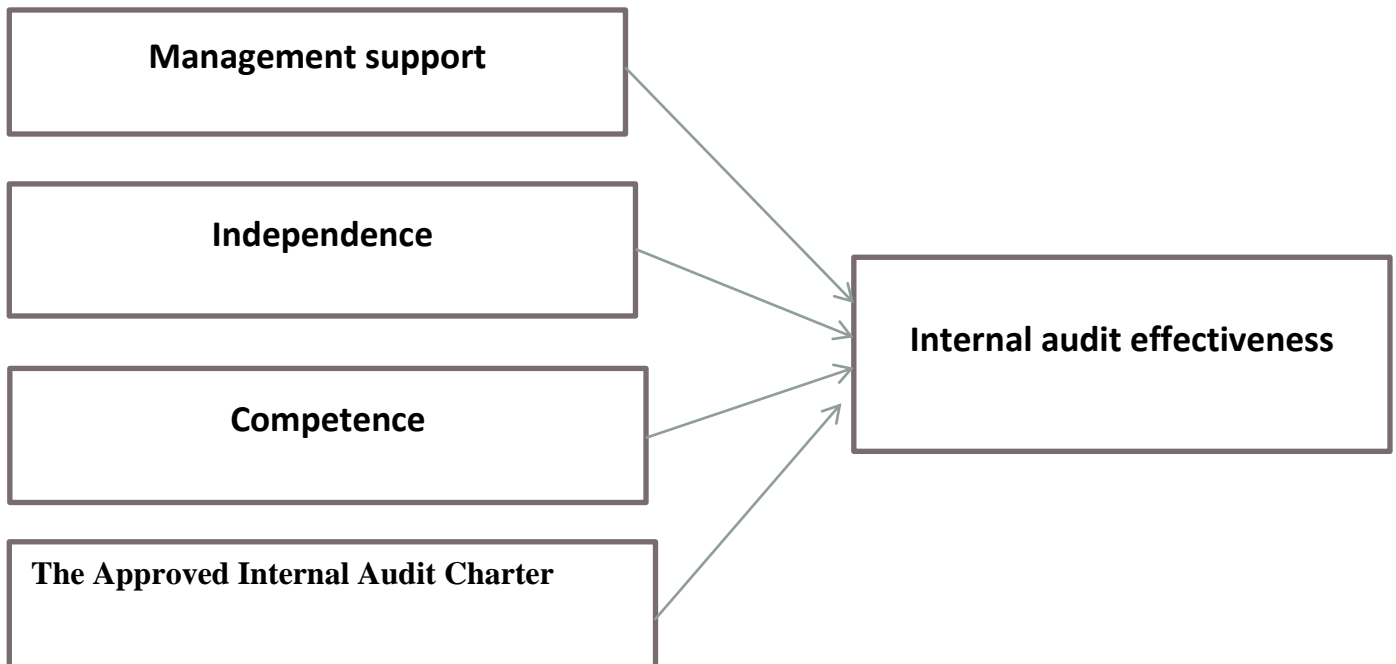
Independence of Internal Audit, existence of adequate and competent internal auditors staff, and the presence of approved internal audit charter.

2.4. Conceptual Frameworks

Based on the preceding studied this study adopted and modified the following conceptual framework on the factors determining effectiveness of IA. It is stated below.

Figure1. Conceptual framework

Independent Variable Dependent Variable



Sources: Researcher Zulkifli, Alagan and Mohd,2014

2.5. Justification of the Research Project

This research will extend the previous research by investigative the relationship among Independence/objectivity of internal audit, Management Support, Competence of Internal Audit and Approved Internal Audit Charter with internal audit effectiveness in public sector organizations. Therefore, the study's outcomes have three important significances. First, the study's conclusions would be used in internal auditors' effectiveness improvement strategy and policy by the public offices management.

Second, they enable the public sectors' management to take corrective measures by specifically identifying significant factors of internal auditor's effectiveness. Finally, the study's outcomes would contribute to the literature by developing a conceptual understanding of internal auditors' effectiveness in public sectors

2.6. Gaps in the literature and conclusion

This section deals about how internal audit setting influence internal audit effectiveness. It has also maintained that effective internal audit could contribute to accomplishment of organizational objectives. The part identified and according to the following gaps in the literature:

- ❖ The research which was conducted before has extensively examined the determinant factors that affect internal audit effectiveness. The produce of this study little bit changed the previous trend by increasing populations;
- ❖ Measures and theoretical bases of the various concepts related to internal audit effectiveness, antecedents and IA contribution to organizational performance were neither sufficiently clear nor consistent especially in the study areas;
- ❖ The internal audit literature tends to consider internal audit effectiveness as one dimensional construct. The conceptual frame work of this study also showed this fact in a clear manor. This approach fails to properly capture the multi-dimensional nature of IA effectiveness. Indeed, the interrelationships among the different dimensions of IA effectiveness cannot be understood.
- ❖ The limited up to date literature largely focused on governmental organizations in developed economies. As a result, understanding of the global configuration of the IA profession appears incomplete.

CHAPTER THREE

3. Research Methodology

3.1. Research Design

The study is estimated to investigate on the determinants of internal audit effectiveness in the selected public sector offices. The data used to conduct this study are the primary data obtained through the questionnaires. The questionnaires will be distributed both to the organizations management team and for their internal auditors. The study areas are selected using purposive sampling method from the Oromia Special Zone Surrounding Finfinne public sector offices which have greater impact to influence the country's overall economy.

3.2. Research Approach

There are two types of research approaches such as deduction and the induction approach. The study used deduction approach because the conceptual framework is built based on the previous studies. A deduction approach adopts current theories and concepts to justify research relationships. Deductive approach is also helpful for identifying the causal relationships among factors by collecting data in most cases using a quantitative method. It also helps in generalizing from the chosen sample to the whole population.

3.3. Research Method

There are three common approaches to conduct a research project in the area of business and social sciences namely: quantitative, qualitative and mixed research approaches. Quantitative method is an objective and systematic process in which pieces of numerical data are used to obtain information about the world and which are analyzed by using mathematical methods. It is also used to test a theory by examining the factors based on the previous studies, identifying the research relationships and obtaining the findings. It can generalize research findings when the study collects data from a random sample which represents its population and it has sufficient sample size. Quantitative method can also achieve greater objectivity and more accurate results if we comparing with the other methods. It depends on a few variables and it follows many tools in order to test the validity and reliability of the data. Therefore, in order to achieve the objectives of this study and thereby to give answer for its problems, quantitative research approach was used by the researcher.

3.4. Data Sources and Collection Method

3.4.1. Sources of Data

Primarily data source was employed in this research. The survey questionnaires help us to collect a primary source of data. That helps the researcher to have more insights about factors that affecting the effectiveness of IA at the study area.

3.4.2. Data Collection Technique

From the strategies of inquiry associated with quantitative methods, survey method was adopted in this study. It enables the researcher to test objective theories in the real world by constructing the cause and effect relationship between variables and promote the replication of research. In this study, the approach allows the researcher to identify factors that affect the effectiveness of IA in Oromia Special Zone Surrounding Finfinne Administration Finance and Economic Cooperation office.

A questionnaire was considered as a key tool in collecting data and it is the most widely used tool in social research such as this study. It contains standardized questions whereby all respondents may understand these questions in the same way. Data from the concerned study areas were collected using self-administered questionnaires which are hand-deliver and hand-collect.

3.4.3. Research Instruments

The study incorporates only primary data sources. It would be collected and analyzed using triangulation (cross checking) data collection techniques from different data sources. First, the primary data had been collected from internal audit staff, finance staff, and top management members at selected Finance and Economic Cooperation offices using structured questionnaires.

3.4.4. Source of Study Population

The sources of populations were the internal audit staff, finance staff, top management members of Finance and Economic Cooperation offices in Oromia Special Zone Surrounding Finfinne Administration.

3.4.5. Target Population

The target population who participated in this research are 1zonal Finance and Economic Cooperation Office and 5 Municipalities; totally 6, of Finance and Economic Cooperation offices of Oromia Special Zone Surrounding Finfinne Administration.

3.4.6. Sampling

The respondents were purposively selecting the officials because they are responsible for strategic decisions at the corporate level and to contribute to the quality of financial statements, and to review the report at its standards.

3.4.7. Sample size determination

The sample population is from the current total number of 1 Zonal Finance and Economic Cooperation Office and 9 Municipalities; totally 10 of Finance and Economic Cooperation offices. From this population 5 municipalities and 1 zonal in sum 6 Finance and Economic Cooperation will be selected purposively.

Table 3.4.7 the sample size selected distributed and collected populations

S/n	Name of selected Municipalities	Selected population from each	Total distributed	Collected
1	Burayu Municipality of OFEC Head	1	1	0
	➤ Finance Director	1	1	1
		4	4	3
	➤ Finance officer	1	1	1
	➤ Internal Audit Director	4	4	4
2	Sebeta Municipality of OFEC Head	1	1	0
	➤ Finance Director	1	1	1
		4	4	
	➤ Finance officer			3
	➤ Internal Audit Director	1	1	1
	4	4	4	
3	Gelan Municipality of OFEC Head	1	1	1

	<ul style="list-style-type: none"> ➤ Finance Director ➤ Finance officer ➤ Internal Audit Director ➤ Senior IA 	<p>1</p> <p>4</p> <p>1</p> <p>4</p>	<p>1</p> <p>4</p> <p>1</p> <p>4</p>	<p>1</p> <p>3</p> <p>1</p> <p>4</p>
4	LegaTafo Municipality of OFEC Head <ul style="list-style-type: none"> ➤ Finance Director ➤ Finance officer ➤ Internal Audit Director ➤ Senior IA 	<p>1</p> <p>1</p> <p>4</p> <p>1</p> <p>4</p>	<p>1</p> <p>1</p> <p>4</p> <p>1</p> <p>4</p>	<p>1</p> <p>0</p> <p>4</p> <p>1</p> <p>4</p>
5	Sululta Municipality of OFEC <ul style="list-style-type: none"> ➤ Finance Director ➤ Finance officer ➤ Internal Audit Director ➤ Senior IA 	<p>1</p> <p>1</p> <p>4</p> <p>1</p> <p>4</p>	<p>1</p> <p>1</p> <p>4</p> <p>1</p> <p>4</p>	<p>1</p> <p>1</p> <p>3</p> <p>1</p> <p>4</p>
6	Zonal Finance and Economic Cooperation office Head <ul style="list-style-type: none"> ➤ Finance Director ➤ Finance officer ➤ Internal Audit Director ➤ Senior IA 	<p>1</p> <p>1</p> <p>4</p> <p>1</p> <p>4</p>	<p>1</p> <p>1</p> <p>4</p> <p>1</p> <p>4</p>	<p>0</p> <p>1</p> <p>4</p> <p>1</p> <p>4</p>
	Total population		66	58

NB: OFEC_ Office of Finance and Economic Cooperation

As shown in table 1 above, based on the identified population number, was applied to identify the level taking into consideration their higher budget allocation, resources mobilization, investment activities and risk area relative to other sectors. Similarly, Finance and Economic Cooperation Offices were assumed to be selected by using simple random sampling techniques.

Finally, from the identified sectors of economic and finance cooperation offices of five municipality level eleven staff members from each departments of finance and from one zonal total ($6 \times 11 = 66$), was selected using by purposive sampling of their function weights for all audit staff members at identified process. Therefore, from the distributed questionnaires 58 were collected rating to 88% respondents.

3.5. Variables used in the Research

3.5.1. Dependent Variable

The dependent variable for this research is the internal audit effectiveness. Here the internal audit effectiveness is measured in terms of internal auditors' ability to identify non-compliance activities with the offices procedures and policies, and the contributions added by IA to the public offices.

Compliance audit is a type of audit service that mostly performed by internal auditors of the organization (Fadzil, F.H *et al*, 2005). Compliance is defined as 'adhering to the requirements of laws, industry and organizational standards and codes, principles of good governance and accepted community and ethical standards'. Compliance also involves ascertaining the extent of compliance with established policies, plans, procedures, laws and regulations, which could have a significant impact on the organization's operations (Fadzil, F.H *et al*, 2005; MoFED, 2004). Therefore, IA is responsible to regularly assess and verify internal operations conformance with organization's policies and procedures, and then issue compliance report to the concerned body (MoFED, 2004).

The added contribution by IA to organizations can be measure in terms of value creation (e.g. its role in the avoidance of corporate failures) and cost saving (Soh and Bennie, 2011; Cohen & Sayag,2010).

In this case study the researcher was measured the IA effectiveness by implementing the internal audit effectiveness of the public sector offices with the country's auditing

environment in which the internal auditor's ability in identifying non-compliance activities and the added contribution by the IA to the public offices. Compliance audit is the most audit services implemented in Ethiopian public bodies (Mihret and Woldeyohanes, 2008; MoFED, 2004) while the added contributions by the IA to organization was used by Cohen and Sayag (2010) to measure the IA effectiveness.

The researcher has been used the summative score technique for the questions in each factor for each participant. This is because Likert scale is the common summative scores (Balnaves and Caputi,2001).

3.5.2. Independent Variable

The study was focused on four independent variables that might have an influence on the internal audit effectiveness in the public sector offices. Those predicted variables investigated in this research are: the managements support for the IA activity, independence of the IA auditors, the adequate and competent internal audit staff and the presence of approved internal audit charter.

It should be noted that the data for the independent variables were collected from the internal auditors of the selected public sector offices. Similarly, with the dependent variable items, all of the independent variables items were measured on a five-point Liker scale where the lowest scale represents strongly disagree and the highest scale represent strongly agree (Likert,1932). The questionnaires were adopted and modified from the prior author and literature review (Mihret and Yismaw, 2007).

As shown in Appendix A of part II, forty different item questionnaires were constructed to identified each of the independent variables of the management support, independence of internal auditors and the adequate and competent internal audit staff, and approved internal audit charter were asked to express their opinion for those items.

3.6. Methods of Data analysis

It is unquestionable that after the collection of data analysis, interpretation and presentation in order to give recommendation to the problem. For the purpose of this study both qualitative and quantitative data was analyzed accordingly. Qualitative data start during and after data collection, which helped in rearranging and analyzing these data systematically and rigorously. Data was presented in the form of statement. Mainly for quantitative data, descriptive statistics used to summarize data by using Statistical Package for the Social

Sciences, (SPSS) version 20 software. Statistics including mean, frequency and standard deviation also was used to analyze the data among the different groups. The mean and standard deviation was used to describe the data obtained indicted mean difference of variables internal audit effectiveness variable independent variable and the dependent variable (Internal audit).

Inferential statistics is particularly the Pearson’s correlation was used to show the relationship dependent and independent variable and the strength/degree as well as direction of associations between variables. In addition, multiple liner regression analysis was used to show up the effect.

Multiple Linear Regression Equation is an extension of simple linear regression to show up the out case and effect, factor and impact analysis. It is used to predict the value of a variable based on the value of two or more other variables.

The variable used to predict is called the dependent variable (or sometimes, the outcome, target or criterion variable). The variables are using to predict the values of the dependent variable are called the independent variables (or sometimes, the predictor, explanatory or repressor variables). Sometimes also called multivariate linear regression for MLR.

The prediction equation is: $Y' = a + b_1X_1 + b_2X_2 + b_3X_3 + \dots + b_kX_k$

There is still one intercept constant, a, but, each independent variable (e.g., X1, X2, X3) has their own regression coefficient. Thus, both the strength of the relationship between variables and the outcome of independent on dependent variable predicted on statistical significance after result portrayed.

3.7. Model specification

$$Y = A_{Eff} + MSIAaX_{i1} + IIA A X_{i2} + ACIAS X_{i3} + AIAC X_{i4} + \dots + \sum$$

I. Independent Variable

MSIAa: the managements support for the IA activity,

IIA A: independence of the IA auditors

ACIAS: the adequate and competent internal audit staff

AIAC: the presence of approved internal audit charter.

II. Dependent variable

AEf: Audit Effectiveness

3.8. Ethical Consideration

Ethical consideration in research should uphold fairness, honesty, openness, disclosure of methods and the purpose for which the research is being carried out. In this case, Primary information gathered from Oromia Special Zone Surrounding Finfinnee Administration Finance and Economic Cooperation, Ethiopia respondents is kept until the reasonable period of time.

Confidential files and issues regarding employees' personal data, policies and strategies of the organization and other highly classified information that need to be kept confidential are given value and kept confidential.

CHAPTER FOUR

4. Analysis and Discussion

4.1. Introduction

As showing in the previous chapter, the main attempt of this study is to investigate the determinants of internal audit effectiveness in the public sector. Therefore, this chapter presents the analysis and discussions for research findings obtained from the questionnaires. It reports the investigation results obtained from senior managers, finance officer and internal auditors of the public sector offices covered in the questionnaire. The discussion begins with the questionnaires response rate followed by the descriptive statistics of the respondents related questions; like the gender, age, profession, and level of education. The results of the reliability analysis test also reported and finally the results of question testing are presented.

4.2. Descriptive Statistics

4.2.1. Response Rate

The study was planned on 66 respondents but the actual response came up with 58 respondents (3 Office of Finance and Economic cooperation office Head(Managers) 5 finance owner process(Director), 21 finance officer,29 internal audit head(Director) and senior internal auditor) which is 88%. Thus, this was found to be satisfactory to precede the analysis with the current number of respondents to reach on certain conclusion about the subject under study.

4.2.2. Respondents Profile

As the table below show that 35(60%) of the respondents were male while the remaining 23(40%) of the respondents were female. From the above information we realized that the majority of respondents were male.

Table 4.2.2.1: Sex respondent

Demographic questions		Respondents										Total	
		OFEC head		Finance Directors		Accountants		Audit Directors		Auditors			
		Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%		
Gender	Male	3	5	4	7	15	26	3	5	10	17	35	60
	Female	-	-	5	9	7	12	3	5	8	14	23	40
	Total	3	5	9	16	22	38	6	10	18	31	58	100

Source: field survey

The survey results clarified that 13 (22%) of respondents age were arranged in the category of 20-29, 33(57%) of respondents age were laid in the category of 30-39, 10(17%) of respondents age were laid in the category of 40-49 and 2(4%) of respondents age were laid in the category of 50-59 .This implies that the majority of respondents were at their early adult age group.

Table 4.2.2.2: Age (in year) respondent

Year of respondents		Respondents										Total	
		OFEC head		Finance Directors		Accountants		Audit Directors		Auditors			
		Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%		
20-29			-	-		5	9	-	-	8	14	13	22
30-39		1	2	6	10	15	26	3	5	8	14	33	57
40-49		2	3	3	5	2	3	2	3	1	2	10	17
50-59		-	-		-		-	1	2	1	2	2	4
Total		3	5	9	15	22	38	6	10	18	32	58	100

Source: field survey

Relatively the researcher gathered the information about the participants' level of education. As a result, 47 (81%) of the participants have got their Bachelor degree, 11(19%) of the participant have got their master's degree. From this we can conclude that the majority of the participants of the study have got their Bachelor degree.

Table 4.2.2.3 Educational level of respondent

Education level	Respondents										Total	
	OFEC head		Finance Directors		Accountants		Audit Directors		Auditors			
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%
Degree	3	5	3	5	16	28	3	5	22	38	47	81
Master's degree	-	-	2	4	4	7	3	5	2	3	11	19
Total	3	5	9	15	22	38	6	10	18	32	58	100

Source: field survey

Table 4.2.2.3 demonstrated that 30(52%) of the participants of the study units were came from accounting field of study, 8(14%) Management field of the study, 5(9%) Economics field of the study, 4(7%) Business Management field of the study and 11(18%) respondent came from Business Administration. From this information, it is possible to conclude that the majority of the participants of the study were come from accounting field of stream.

Table 4.2.2.4: Field of the study of respondent

Field of study	Respondents										Total	
	OFEC head		Finance Directors		Accountants		Audit Directors		Auditors			
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%
Accounting	-		3	5	12	21	3	5	12	21	30	52
Management	3	5	-	-	1	2	-	-	4	7	8	14
Economics			-		2	4	-	-	3	5	5	9
Business Mgt.			-		1	2	-	-	3	5	4	7
Business Adm.			2	3	4	7	3	5	2	3	11	18
Total	3		5		20		6		24		58	100

Source: field survey

The result indicated below revealed that the majority of the participants, 33(57%), have got a work experience from 2-5 years, the participants, 14 (24%), worked from 6 to 10 years. The

reset 11(19%) participants have got the experience >10 years. Thus, it is possible to conclude that the majority of respondents were having 2-5 years' work experience.

Table 4.2.2.5. Work experience of respondent

Year of work experience	Respondents										Total	
	OFEC head		Finance Directors		Accountants		Audit Directors		Auditors			
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%
2-5	-		-	-	13	22	-	-	20	35	33	57
6-10	-	-	2	3	5	9	3	5	4	7	14	24
>10	3	5	3	5	2	4	3	5	-	-	11	19
Total	3	5	5	8	20	35	6	10	24	42	58	100

Source: field survey

4.3. Reliability Analysis

This unit, is to carry out the reliability analysis, Cronbach's Alpha (α) is the most common measure of scale reliability and a value greater than 0.70 is acceptable (Cohen and Sayag, 2010) So, when we see the overall value for Cronbach's Alpha (α) is 0.991 for all variables which is acceptable, so, it can be concluded that, the responses generated for all of the variables used in this research was reliable enough to analyze the data.

Table 4.3 Test of reliability

Variables	No of Items	Cronbach's Alpha
Management Support	5	0.915
Independence	9	0.966
Competency	7	0.920
The internal audit charter	4	0.960
Internal Audit effectiveness	15	0.987
Over all	40	0.991

Source: Survey results 2019

4.4 Management Support

The respondent's answers on the management support showed that most of them felt that there was unfavorable management support towards internal audit.

The results showed on the auditor receive full cooperation, access to records and information from his office/sector that revealed by mean of 3.79 and 68.97% disagreed, 13.79% strongly disagreed and 17.24% agreed. A number of researchers, in their research found "that management support is key to internal audit effectiveness examples are Sawyer 1973 who determined that management acceptance and support for internal audit function has long been critical to the support of the function.'

Based on the data collected from respondents, the auditor can get the necessary resources (facilities) that help it to perform auditing activities as needed that shown by mean of 4.14 and 60.35% disagreed, 31.03% strongly disagreed and 8.62% agreed. it can be concluded that the auditor can't get the necessary resources (facilities) that help it to perform auditing activities as needed.

Grounded on the data collected from respondents, the office/sector supports IA by providing training in order to improve its skill and update with the field that shown by mean of 4.5 and 34.48% disagreed, 60.35% strongly disagreed and 5.17% agreed. It can be concluded that the office/sector isn't supports IA by providing training in order to improve its skill and update with the field.

The result were consistent with the previous auditing research works of (Shewamene, 2014; Cohen and Sayag, 2010; Mihret and Yismaw, 2007) they also found and reported that the top management support was the determinant for the effectiveness internal audit in particular.

Table 4.4 Management Support

Management Support		Code	Frequency					Mean	Std.D
			S A	A	N	D	SD		
1	The auditor receive full cooperation, access to records and information	MS1	-	10	-	40	8	3.79	0.894

	from his office/sector								
2	The auditor can get the necessary resources (facilities) that help it to perform auditing activities as needed.	MS2	-	5	-	35	18	4.14	0.805
3	The office/sector supports IA by providing training in order to improve its skill and update with the field.	MS3	-	3	-	20	35	4.50	0.755
4	The office/sector supports auditors to introduce it with new technology, policy or procedures when it is necessary.	MS4	-	5	-	16	37	4.47	0.883
5	The office/sector supports Internal Auditing staffs by budgeting funds for certification to have relevant education in auditing that allows them to audit all of the organization's/sector's systems.	MS5	-	-	-	30	28	4.48	0.504
Total								4.276	0.7682

As indicated in the above table, the majority of the respondents think that the office/sector supports auditors to introduce it with new technology, policy or procedures when it is necessary that as shown by mean of 4.47 and 63.79% and 27.59% are respectively strongly disagreed, disagreed and 8.62% agree. The result indicated that the office/sector isn't supports auditors to introduce it with new technology, policy or procedures when it is necessary.

As showed in the above table, the majority of the respondents think that the office/sector supports internal auditing staffs by budgeting funds for certification to have relevant education in auditing that allows them to audit all of the organization's/sector's systems that as shown by mean of 4.48 and 51.73% and 48.27% are respectively disagreed and strongly disagreed. The result indicated that the office/sector isn't supports internal auditing staffs by budgeting funds for certification to have relevant education in auditing that allows them to audit all of the organization's/sector's systems.

The survey shows that more respondents disagreed of having the management support towards the audit function.

4.3.1. Independence of internal Auditors

Descriptive analysis was used in order to measure central tendency of the investigated variables by examining the mean of data.

On the table of 4.5 items 6 below, the IA performs the auditing activities without any interference from anybody and without any influence from the office/sector the evidence reveals that as shown by mean of 4.38. 55.17% and 37.93% of the respondents respectively strongly disagreed and disagreed and 6.9% agree that the IA performs the auditing activities with interference from anybody and influence from the office/sector.

Based on the data collected from respondents, on item 7 indicated that the IA freely decide the scope, time and extent of auditing procedures based on auditing standards and the office's/sector's policy with mean 3.9. 68.96% of the respondents disagreed and 17.25% of them strongly disagree on concern. Alternatively, 13.79% agreed.

The result underlined that the IA is not freely decide the scope, time and extent of auditing procedures based on auditing standards and the office's/sector's policy.

Concerning the question of the IA objectively examine auditing issues only meeting on reliable audit evidence and no management interest is involved for adjustment beyond auditing standards & values as point out by mean of 4.28. 58.9% of them disagree and 37.93% strongly disagree. In contrast 5.17% agree .this implied that IA objectively examines auditing issues not only meeting on reliable audit evidence and management interest is involved for adjustment beyond auditing standards & values.

Table 4.5 Independence of internal Auditors

Independence of internal Auditors		Code	Frequency					Mean	Std.D
			S A	A	N	D	SD		
6	The IA performs the auditing activities without any interference from anybody and without any influence from the office/sector.	IIA6	-	4	-	22	32	4.41	0.817
7	The IA freely decide the scope, time and extent of auditing procedures based on auditing standards and the office's/sector's policy.	IIA7	-	8	-	40	10	3.90	0.852
8	The IA objectively examine auditing issues only meeting on reliable audit evidence and no management interest is involved for adjustment beyond auditing standards & values.	IIA8	-	3	-	33	22	4.28	0.720
9	The IA feels free to include any audit finding in its audit work and report directly to responsible body.	IIA9	-	13	-	30	15	3.81	1.067
10	The IA can freely access necessary documents,	IIA10	-	15	-	28	15	3.74	1.117

	information and data about the organization/sector for its audit work.								
11	IA Conflict of interest is rarely present in the work of internal auditors.	IIA11	-	20	-	30	8	3.45	1.111
12	Internal auditors rarely face interference by management while they conduct their work.	IIA12	-	12	-	23	23	3.98	1.116
13	Internal audit staffs have free access to all departments and employees in the organization	IIA13	-	11	-	29	18	3.93	1.041
14	The Internal audit staffs are not requested to perform non-audit functions.	IIA14	10	20	-	18	10	2.97	1.438
	Total							3.83	1.031

Most respondents 51.73% and 25.86% are respectively disagreed and strongly disagreed with the matter that the IA feels free to include any audit finding in its audit work and report directly to responsible body while 22.41% agree on this statement. From this evidence, it can be concluded that the IA is not feels free to include any audit finding in its audit work and report directly to responsible body.

As indicated in the above table, the majority of the respondents think that the IA can freely access necessary documents, information and data about the organization/sector for its audit work. 48.28% and 25.86% are respectively disagreed and strongly disagreed and 25.86% agree. The result indicated that internal auditors have restricted access to all records, information and data of the organization.

Based on the data collected from respondents, on item 11 indicated that IA Conflict of interest is rarely present in the work of internal auditors with mean 3.45. 51.73% of the respondents disagreed and 13.79% of them strongly disagree on concern. Alternatively, 34.48% agreed. The result underlined that IA Conflict of interest is present in the work of internal auditors.

Grounded on the data collected from respondents, on item 12 indicated that internal auditors rarely face interference by management while they conduct their work with mean 3.98. 39.66% of the respondents disagreed and 39.66% of them strongly disagree on concern. 20.68% agreed. The result underlined that internal auditors face interference by management while they conduct their work.

Regarding the question of Internal audit staffs have free access to all departments and employees in the organization as point out by mean of 3.93. 50% of them disagree and 31.03% strongly disagree. In contrast 18.97% agree. This implied that internal audit staffs have free access to all departments and employees in the organization.

As shown in the above table, the majority of the respondents think that the internal audit staffs are not requested to perform non-audit functions 34.48% and 17.24% are respectively agreed and strongly agreed and 31.03% and 17.24% are respectively agree and strongly agree. The result indicated that the internal audit staffs are not requested to perform non-audit functions.

4.6 Competency of internal auditors

This determinant had been composed of 7 questions the level at which respondents agreed or disagreed with the following statements relating to competence of internal auditor in IAE.

The result show that, 51.72% and 44.82% of the respondents disagreed and strongly disagreed respectively on the statement that internal auditors possess sufficient experience to understand the organization's systems as shown by mean of 4.38. While, 3.46% of respondent agreed. The result indicates that internal auditors have not possess sufficient experience to understand the organization's systems.

The item 16 point out that it is possible to audit and review each activity on time, and covers the planned scope of auditing activities as shown by mean of 3.98. The result indicates that many

responders believe that it is impossible to audit and review each activity on time, and cover the planned scope of auditing activities 65.52% disagreed and 20.69 % strongly disagreed) While, 13.79% of respondent agreed.

Regarding an internal audit staffs possess knowledge and skills in a variety of areas (beyond accounting and finance), as necessary., Above half (41.38% disagree and 25.86% strongly disagree) of respondents reported that minimum level of skill, knowledge and experience required by internal auditor and the Head of Internal audit isn't fulfilled as indicated by mean of 3.57. 29.31% and 3.45% of the respondents agree and strongly agree respectively with this matter. The result shows that the government sector is interrupted with shortages of qualified personnel and staff with deficiencies in professional knowledge and skills.

This finding coincides with (Abraham, 2015). This finding is consistent with Morgan (2009) who argues that the competency of internal auditors is important in promoting good governance and ensuring effective utilization of public resources. With all these fact, it can be underlined that internal auditors could not play significant role in internal audit effectiveness.

Table 4.6 Competency of internal auditors

Competency of internal auditors		Code	Frequency					Mean	Std.D
			SA	A	N	D	SD		
15	Internal auditors possess sufficient experience to understand the organization's systems.	CIA15	-	2	-	30	26	4.38	0.671
16	It is possible to audit and review each activity on time, and cover the planned scope of auditing activities.	CIA16		8	-	38	12	3.98	0.876
17	An internal audit staffs possess knowledge and skills in a variety of areas (beyond accounting and finance), as necessary.	CIA17	2	17	-	24	15	3.57	1.258
18	The audit procedures and evidence	CIA18	-	5	-	28	25	4.26	0.849

	collections are completed on time, since enough and skilled internal auditors are available or employed.								
19	An internal auditor undertakes continuous professional development activities (such as professional association sponsored programs and correspondence courses).	CIA19	-	-	-	32	26	4.45	0.502
20	Adequate short-term training is arranged for internal auditors each year.	CIA20	-	-	-	40	18	4.31	0.467
21	The internal audit staff number & their skill matches the scope of office's/sector's internal operations	CIA21	-	-	-	29	29	4.5	0.504
		Total						4.207	0.732

The item 18 point out that the audit procedures and evidence collections are completed on time, since enough and skilled internal auditors are available or employed as shown by mean of 4.26. The outcome indicates that many responders believe that the audit procedures and evidence collections were not completed on time, since enough and skilled internal auditors were not available or employed. 48.28% disagreed and 43.10 % strongly disagreed) While, 8.62% of respondent agreed.

Indication from the study showed that an internal auditor undertakes continuous professional development activities (such as professional association sponsored programs and correspondence courses as shown by mean of 4.45. 55.17% of the respondents disagreed, and 44.83% strongly disagree.

This implied that an internal auditor not undertakes continuous professional development activities (such as professional association sponsored programs and correspondence courses.

As can be seen from the Table 4.6 of item 20, almost all of the respondents disagreed that the Adequate short-term training is arranged for internal auditors each year as shown by mean of 4.31. Accordingly, 68.97% of the respondents disagree and 31.03% of the respondents strongly disagreed. The implication is that adequate short-term training was not arranged for internal auditors each year

In the last item questionnaire, respondents' believe that the internal audit staff number & their skill matches the scope of office's/sector's internal operations. According to the results of the survey, is insufficient staff number & their skill matches the scope of office's/sector's internal operations as shown by mean of 4.5. The larger percentage of respondents (50 % disagreed and 50% strongly disagreed) the internal audit staff number & their skill are not matches the scope of office's/sector's internal operations.

4.7 The approved internal audit charter

The answers to the questions on the purpose and authority of internal audit is clearly defined in charter were characterized by mean of 3.4 and 43.1%, 25.87% are respectively disagreed and strongly disagreed and 8.62% agree. The basis of this trend is that the purpose and authority of internal audit is not clearly defined in charter.

The responses to the questions on the purpose and authority of internal audit charter is in line with "Standards for the Professional Practice" formulated by the Institute of Internal Auditors were characterized by mean of 3.19 and 43.1%, 15.52%,39.93% and 3.45% are respectively disagreed, strongly disagreed, agree and strongly agreed. This implies that the purpose and authority of internal audit charter is not in line with "Standards for the Professional Practice" formulated by the Institute of Internal Auditors.

The result was consistent with the previous auditing research works of (Shewamene, 2014; Cohen and Sayag, 2010; Mihret and Yismaw, 2007) they also found and reported that the internal audit charter was the determinant factor for the effectiveness internal audit in particular.

Table 4.7 the approved internal audit charter

The approved internal audit charter		Code	Frequency					Mean	Std.D
			S A	A	N	D	SD		
22	The purpose and authority of internal audit is clearly defined in charter.	AIA C22	-	18	-	25	15	3.4	1.283
23	The purpose and authority of internal audit charter is in line with “Standards for the Professional Practice” formulated by the Institute of Internal Auditors.	AIA C23	2	22	-	25	9	3.19	1.249
24	The IA charter specifies the internal audit activity’s position within the office; authorized access to records, personnel, and physical properties relevant to the performance of engagements, and the defined scope of IA activities.	AIA C24	5	20	-	30	3	2.76	1.174
25	Internal audit charter is maintained (available) in my office /sector.	AIA C25	1 0	26	-	15	7	2.71	1.351
Total								3.01 5	1.264

Regarding internal audit charter is maintained (available) in my office /sector were characterized by mean of 1.351 and 44.83%, 17.24%,25.86% and 12.07% are respectively agreed, strongly agreed, disagree and strongly disagreed. The result shows that internal audit charter is not maintained (available) in my office /sector

4.8. Internal Audit Effectiveness

The managers were asked 15 question items and their mean response score for each question item were analyzed.

The responder’s answers on internal audit develops a risk-based annual plan the result is presented that 51.73% of responders disagreed and 31.03% strongly disagreed with this statement and 12.07% of responders agreed. So the result showed that internal audit not develops a risk-based annual plan.

As can be seen from the below number 2, there are 51.73 % disagreed and 34.48 % strongly disagreed that the internal audit activity's plan of engagements is based on a risk assessment, while 13.79 % or agreed. Internal audit can't evaluate the effectiveness of internal controls and risk management of the organization.

Table 4.8 number 3 depicted that internal audit activity is adding value at a low cost within your organization 51.73%, 34.48%, 8.62% and 5.17% are respectively strongly disagreed, disagreed, agree and strongly agreed. This implies that internal audit activity is not adding value at a low cost within your organization.

The survey result which is presented below in Table 4 .3.5 number 4 of the respondents shows that internal audit activity meets the requirements of the IIA's Code of Ethics. 62.07% 15.9%, 25.87%, 10.34% and 1.72% of the respondents disagreed, strongly disagree, agree and strongly agree. This means internal audit activity not meets the requirements of the IIA's Code of Ethics.

As referred from Table 4.8, about 51.72% of the respondents disagreed that Internal audit ensures the economical, effective and efficient use of resources in public sectors. and 34.48% of the respondents strongly disagreed. While small number 13.80% agree of respondents agreed on the issue. The result indicates that internal audit does not ensure the economical, effective and efficient use of resources in public sectors.

Regarding internal audit ensures the activity that is performed compliance with established policies, law, regulation and directives. 44.83% and 37.93% of the respondents strongly disagreed and disagreed that internal audit does not ensure the activity that is performed compliance with established policies, law, regulation and directives. Whereas, 13.79% and 3.45% agreed, strongly agreed respectively.

Table 4.8 internal audit effectiveness

Internal audit effectiveness		Code	SA	A	N	D	SD	Mean	Std.D
1	Internal audit develops a risk-based annual plan.	IAE1	-	10	-	30	¹⁸	3.97	1.008
2	Internal audit evaluates the effectiveness of internal controls and risk management of the organization.	IAE2	-	8	-	30	20	4.07	0.953
3	Internal audit activity is adding value at a low cost within your organization.	IAE3	3	5	-	20	30	4.19	1.146
4	Internal audit activity meets the requirements of the IIA's Code of Ethics.	IAE4	1	6	-	36	15	4.05	0.887
5	Internal audit ensures the economical, effective and efficient use of resources in public sectors.	IAE5	-	8	-	30	20	4.07	0.953
6	Internal audit ensures the activity that is performed compliance with established policies, law, regulation and directives.	IAE6	2	8	-	22	26	4.07	1.153
7	Internal audit performs their task in a professional and courteous manner.	IAE7	3	8	-	40	7	3.69	1.03
8	The audit reports provided by internal auditors of this organization are reliable and significant.	IAE8	3	5	-	30	20	4.02	1.084
9	The internal audit team members have sufficient technical and IT knowledge to perform their role effectively.	IAE9	-	6	-	30	22	4.17	0.881
10	Internal auditors have the experience to address risk management problems	IAE10	-	12	-	28	18	3.9	1.071

	within the organization.								
11	Internal audit obtains a sufficient budget to complete its Internal Audit Plan.	IAE11	-	15	-	30	13	3.71	1.092
12	Internal audit activity is an independent objective assurance and consulting activity.	IAE12	-	10	-	25	23	4.05	1.05
13	Internal auditors obtain unrestricted access to any information regarding your organization.	IAE13	-	10	-	30	18	3.97	1.008
14	Your internal audit activity proactively examines important financial matters, risks, and internal controls.	IAE14	-	15	-	33	10	3.66	1.052
15	The internal audit department's should follow-up and ensure that corrective actions are taken.	IAE15	-	2	-	30	26	4.38	0.671
	Total							4.028	1.003

The results in table 4.8 of item 7 show that 68.97% of the respondents disagreed and 12.07% of respondents strongly disagreed that internal audit performs their task in a professional and courteous manner. On the other hand, 13.79% of respondents have agreed, while there are 5.17% of respondents strongly agreed. This indicates that internal audit does not perform their task in a professional and courteous manner.

Most (51.72%) of the respondents disagreed that The audit reports provided by internal auditors of this organization are reliable and significant and 34.48% of them strongly disagreed. however, 8.62% and 3.45% agreed and strongly agreed respectively on this issue. The result indicated that

the audit reports were not provided by internal auditors of this organization is reliable and significant.

As denoted from above table 4.8, about 51.72% of the respondents disagreed that the internal audit team members have sufficient technical and IT knowledge to perform their role effectively. And 37.94% of the respondents strongly disagreed. While small number 10.34% agree of respondents agreed on the issue. The result indicates that the internal audit team members have not sufficient technical and IT knowledge to perform their role effectively.

Concerning internal auditors have the experience to address risk management problems within the organization. 48.28% and 31.03% of the respondents disagreed and strongly disagreed that internal auditors have not the experience to address risk management problems within the organization. While, 20.69% agreed on the issue. On table 4.3.5 of item 11 shows that 51.72% of the respondents disagreed and 22.41% of respondents strongly disagreed, that internal audit obtains a sufficient budget to complete its Internal Audit Plan. On the other hand, 25.87% of respondents have agreed. This shows that internal audit does not obtain a sufficient budget to complete its internal Audit Plan.

As can be seen from the table 4.8 of item 12, almost all of the respondents disagreed that internal audit activity is an independent objective assurance and consulting activity. Accordingly, 43.10% of the respondents disagree and 39.66% of the respondents strongly disagreed. While, 17.24% agreed on the issue. The implication is that internal audit activity is not an independent objective assurance and consulting activity

With regarding internal auditors obtain unrestricted access to any information regarding your organization. 51.72% and 31.03% of the respondents disagreed and strongly disagreed that internal auditors obtain restricted access to any information regarding your organization. Whereas, 17.25% and 3.45% agreed, strongly agreed respectively.

As indicated from above table 4.8 number 14, about 56.90% of the respondents disagreed that your internal audit activity proactively examines important financial matters, risks, and internal controls. And 17.24% of the respondents strongly disagreed. While small number 25.87% agree

of respondents agreed on the issue. The result indicates that internal audit activity is not proactively examining important financial matters, risks, and internal controls.

Indication from the study showed that the internal audit department's should follow-up and ensure that corrective actions are taken. 51.72% of the respondents disagreed, and 44.83% strongly disagree. While small number 3.45% agree of respondents agreed on the issue.

This implied that the internal audit department 's should not follow-up and ensure that corrective actions are taken

4.9 Correlation Analysis

Correlation coefficient

Describe about two variables, are they related with others

<u>Correlation coefficient</u>	<u>Interpretation</u>
-1	perfectively negatively correlated
1	perfectively positively correlated
(1,-0.3)	positively correlated
(-1, -0.3)	negatively correlated
(-0.3, 0.3)	no correlated

Source DEFTEch Computer Engineering

The correlation factors in table 4.9 indicate that all are above zero and below one. This in turn indicates that there is linear correlation between independent variables and the dependent variable.

Table 4.9 Correlation Analysis

		IAE	MS	IIA	CIA	AIAC
Internal audit effectiveness		1				
	Sig. (1-tailed)					
	N	58				
management support	Pearson Correlation	.927**	1			
	Sig. (1-tailed)	.000				
	N	58	58			
independence of internal auditor	Pearson Correlation	.742**	.696**	1		
	Sig. (1-tailed)	.000	.000			
	N	58	58	58		
Competency of internal auditors	Pearson Correlation	.694**	.601**	.797*	1	
	Sig. (1-tailed)	.000	.000	.000		
	N	58	58	58	58	
The approved internal audit charter	Pearson Correlation	.729**	.624**	.761*	.739*	1
	Sig. (1-tailed)	.000	.000	.000	.000	
	N	58	58	58	58	58
**. Correlation is significant at the 0.01 level (1-tailed).						

Source: Survey data (2019)

As it's shown in the above table the Pearson correlation coefficient indicate that there is a positive significant relationship between the dependent Variable (IAE) and all independent variables (MS.IIA, CIA and AIAC). As of the relationships between the dependent variables (IAE) and independent variables (MS.IIA, CIA and AIAC), findings are significant. In addition to this there were strong correlations between the dependent variable internal audit effectiveness (IAE) and independent variables MS (r = 0.927), IIA (r= 0.742), IIA (r = 0.694), AIAC (r =

0.729) with ($P < 0.01$) level of significant. This mean that all independent variables are positively affect internal audit effectiveness.

The findings from this research were supported by the earlier studies such as ‘Zulkifli Baharuddin (2014); Sayag (2010); George et al. (2015); Alzeban & Gwilliam (2014); Angus Okechukwa Unegbu and Mohamad Isa Kida (2011)’. These researchers found that internal auditors can effectively carry out their duties if there are enough internal auditors possessed the required competencies. In terms of management support to internal auditors, again Zulkifli Baharuddin (2014) and Sayag (2010) share the similar findings with this study. Both researchers found that management support is most crucial to the operation and success of internal audit. George et al. (2015) and Alzeban & Gwilliam (2014) also argued that there is positive associated between management supports and internal audit effectiveness.

As for the Independence of the internal auditors, previous studies such as Sayag (2010); George et al. (2015); Alzeban & Gwilliam (2014) and Zulkifli Baharuddin (2014) support this study’s findings. For example, Sayag (2010) found that ‘Greater organizational independence will be related to auditing effectiveness’. Meanwhile, Zulkifli Baharuddin (2014) supports the statement that independence and objectivity are closely related to internal audit effectiveness.

4.10 Multiple liners Regression Analysis (effectiveness of internal audit dimensions (mediator) as predictors to internal audit performance)

Multiple linear regression analysis was employed to effectiveness of internal audit dimensions (Predictors: (Constant), The approved internal audit charter, Competence of internal audit , Independence/ Objective of internal audit , Management Support) towards predictors to Internal audit performance. It is a constructive statistical technique that can be used to analyze the association between a single dependent and several independent variables. One of the vital considerations in multiple regression is the sample size of the data.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.996 ^a	.992	.991	.15860
a. Predictors: (Constant), The approved internal audit charter, Competence of internal audit , Independence/ Objective of internal audit , Management Support				
b. Dependent Variable: internal audit effectiveness				

Source: From researcher field survey data, 2019.

In this study, a multiple regression analysis was conducted to test relationship among variables i.e. dependent and independent variables. The analysis was done to establish how the specific remark to evaluate examines the internal audit effectiveness dimensions. A regression analysis results are presented in Model Summary table 4.10 the result as shown in the model summary designates that (The approved internal audit charter, Competence of internal audit, Independence/ Objective of internal audit, Management Support) explained 99.6 % of change in the internal audit effectiveness.

The coefficient of multiple determinations (R^2) was estimated 0.992 and adjusted R^2 value was 0.991 likelihoods interval. This means that 99.1 % of the variation in the dependent variable is explained by the explanatory variables included in the model. Furthermore, the adjusted R^2 of 97.3% which is significant has further consolidated the goodness of the model; hence, it is econometric significance and reliable, which is showed that the model is fitted and its goodness to indicate the determinations of dependent variable explanations.

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	167.246	4	41.812	1662.308	.000 ^b
	Residual	1.333	53	.025		
	Total	168.579	57			
a. Dependent Variable: audit effectiveness						
b. Predictors: (Constant), The approved internal audit charter, Competence of internal audit , Independence/ Objective of internal audit , Management Support						

Source: From researcher field survey data, 2019.

From above table 4.11 The F-ratio found in the ANOVA table measures the probability of chance departure from a straight line. The significance value is 0.00 which is less than 0.05 thus the model is statistically significance in Predictors: (Constant), the approved internal audit charter, Competence of internal audit, Independence/ Objective of internal audit, Management Support explain Rate of audit effectiveness Diminutions Level.

The F critical at 5% level of significance was 0.00 which is found accepted. Since (F) calculated is greater than the F critical mean (value = 1662.308), this shows that the overall model was extremely significant

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.145	.203		.712	.040
	Management Support	1.034	.055	1.397	18.636	.000
	Independence/ Objective of internal audit	.055	.047	.062	1.156	.253
	Competence of internal audit	.001	.032	.002	.041	.967
	The approved internal audit charter	-.364	.053	-.477	-6.844	.000

a. Dependent Variable: internal audit effectiveness

Source: From researcher field survey data, 2019.

The above table 4.12 Coefficient of the study summarizes the overall research work presented study was to identify the factors that affect the effectiveness of internal audit in Oromia Special Zone Surrounding Finfinnee Administration Finance and Economic Cooperation. In addition, IAF in Oromia public sectors is characterized by gaining less management respect; lack of organizational independence; absence of professional Cooperation; delegating internal auditors too many tasks and being ignored (conflict of interest).

The study conducted by internal audit effectiveness in an Ethiopian public sector case study also forwarded that internal audit recommendations were 14.5 % accomplished which is not afforded enough management attention and support which may adversely affect the effectiveness of internal audit.

4.11 Discussions

As show on the above table 4.4 the survey shows that all respondents disagreed of having the management support towards the audit function. So the respondents replied that the management's response to the internal audit findings and recommendations is generally not adequate.

As indicated on the above table 4.5 the survey shows that more respondents disagreed of having the independence of internal audit towards the audit function.

As implies on the above table 4.6 the survey shows that more respondents disagreed of having Competence of internal audit towards the audit function.

As expressed on the above table 4.7 the survey shows that more respondents disagreed of having the approved internal audit charter towards the audit function.

The above table 4.12 coefficient of the study summarizes the overall research work presented study was to identify the factors that affect the effectiveness of internal audit in Oromia Special Zone Surrounding Finfinnee Administration Finance and Economic Cooperation, The approved internal audit charter, Competence of internal audit, Independence/ Objective of internal audit and Management Support done by Finance and Economic Cooperation offices portrayed that to only **14.5%** of contributions to the effectiveness of internal audit at (p value of =0.04). It shows Finance and Economic Cooperation offices has lower of mechanisms in place to follow up the implementation of internal audit recommendations; absence of strategic plan and consistent documentation styles for audit work, lack of resources, poor leadership for internal audit function (IAF), absence of appropriate framework to measure IAF performance, and lack of competent personnel are also some challenges of internal auditors.

According to Mihret & Yismaw (200) remarked that (here after referred as IAF) lies at every heart of corporate governance system. Because, it makes line managers conscious of their responsibility; acts as a consultant in monitoring risk; identifies weakness of internal control

system; facilitates the implementation of risk management and contributes to the appropriateness of procedures and operations of the organization.

Result regarding to **Management Support** has 1% positive contributions to the internal audit effectiveness ($\beta=1.397$, $p < 0.05$). Which is the result from it generations of hypothesis have accepted. Given the fact that internal audit activities are performed was found that to 1% of dynamic management process and more supportive environment, internal auditor expects senior management to take the first steps to support the internal audit process.

Because, Sarens and Beelde (2006) argue that the overall acceptance and appreciation of IA within the company is strongly dependent upon the support they receive from senior management. Internal audit actively seeks management support with resources, commitment to promote and communicate their added value.

The management support is almost crucial to the operation and internal audit; because all other determinants of IA effectiveness derive from the support of top management, given that hiring proficient IA staff, developing career channels for IA staff, and providing organizational independence for IA work are the results of decisions made by top management (Cohen & Sayag, 2010). This means it is the interest of management to maintain a strong internal audit department (Mihret and Yismaw, 2007).

In addition, implementation of audit recommendations is highly relevant to IA effectiveness which is the component of management support (Mihret and Yismaw, 2007). The management of an organization is viewed as the customer receiving IA services. As a result, management's commitment to use audit recommendations and its support in strengthening internal audit is vital to IA effectiveness.

Therefore, audit finding and recommendations would not serve much purposely unless management is committed to implement them. Furthermore, Belay, (2007) find that to curb corruption and inefficiency in the public sector of Ethiopia, it is mandatory to have effective internal audit function (IAF) that in turn needs appropriate governance structure, mobilizing sufficient and appropriate resource and competent personnel.

Result regarding to **Independence/ Objective of internal audit** has 5.5 % positively affected the internal audit effectiveness ($\beta=.062$, $p > 0.05$). Which is the result from it generations of hypothesis have not accepted the hypothesis. One of the factors that may influence effective audit activities is independence and objective of auditors as this would enable the completion of

auditing without interference. Independence of internal auditing in terms of assurance services and consultations are both importance and are closely linked to the freedom from interference on objectivity and compromise while auditing (IIA, 1999). The independence and objectivity are key elements of the effectiveness of IA (Mutchler 2003, Ahmad et al. 2009; Al-Akra et al. 2016). ISPPIA (Standard 1100) requires that the internal audit department has independent and internal auditors must be objective in achieving their work to add value to the organization. For instance, the assurance services provided by auditors derive their value and credibility from the fundamental assumptions of independence of mind and independence in appearance (Wines, 2012; Stewart & Subramanian, 2010).

In addition, Alzeban and Gwilliam (2014) also confirm that increasing weight is now being placed on the need for internal auditors to be independent and objective, even though they are normally employees of organizations. They stated lack of independence as the main obstacle to satisfactory internal audit performance in a number of developing countries (Alzeban & Gwilliam, 2014). Moreover, internal audit independence according to current studies definitely relates with perceived effectiveness of IA.

Result regarding to **Competence of internal audit** has 0.1% positively contributions to the internal audit effectiveness ($\beta=.002$, $p > 0.05$). Which is the result from it generations of hypothesis have rejected. The empirical findings larger sized functional units, there will be more opportunity and flexibility to have a staff rotation schedule that can also influence internal audit effectiveness by promoting a healthier relationship and resulting in more objective audit investigations.

Furthermore, Zain et al. (2006) argue that a larger size internal audit is likely to be better resourced, including having a broader work scope, higher organizational status and wider staff talent than a smaller unit. Likewise, the quality of IA work is likely to be higher in internal audit units with a larger proportion of staff with audit experience than those with a lower proportion of audit experience.

Result regarding to **the approved internal audit charter** has 36.4 % negatively influences to the internal audit effectiveness ($\beta=-.477$, $p < 0.05$). Which is the result from it generations of hypothesis have accepted. Different authors have been explained the presence of defined audit charter in organizations will helps auditors to be effective. For instance, O. Regan (2002) concludes that a well drafted charter is an important ingredient for the IA effectiveness. It helps

to direct the efforts of audit staff and defines what the board can expect on the assurance it required on internal control from an IA. Van Peurseem (2005) added that the presence of a strong charter adds an official and respected layer of authority to the position of IA in the organizations. It is also an important feature of insuring success in achieving the independent status of an IA. Furthermore, the study shows the existence of audit charter to organization influences negatively the senior management to flow the recommendations of the internal auditor which in turn affects IA effectiveness.

CHAPTER FIVE

5 Conclusions and Recommendation

5.1 Conclusion

According to the analysis and explanation output variables of the management support, independence of internal auditors, competent IA staff, and the approved internal audit charter were significantly contributed for the effectiveness of internal audit in Oromia Special Zone Surrounding Finfinne public sector offices.

The management support, independence of internal auditors, competent IA staff, and the approved internal audit charter were the major factors of EIA in the public sector.

The final portion of this research aims to conclude the finding of the study focusing on the core determinant that have significant impacts to the effectiveness of internal audit and to provide recommendations based on the research findings of the study. These conclusions and recommendations are drawn from the findings of the study specifically related to the managements support given to the IA activities, independence of the IA, competence IA staff, and the approved internal audit charter of IA in the public sector offices.

Regressions result shows that Finance and Economic Cooperation offices of Oromia Special Zone Surrounding Finfinne Administration has lower of mechanisms reached to 14.5% of audit accomplishment in place to follow up the implementation of internal audit recommendations; absence of strategic plan and consistent documentation styles for audit work, lack of resources, poor leadership for internal audit function (IAF), absence of appropriate framework to measure IAF performance, and lack of competent personnel are also some challenges of internal auditors. In other hand, given the fact from regressions result that internal audit activities are performed was found that to 1% of dynamic management process and more supportive environment, internal auditor expects senior management to take the first steps to support the internal audit process. Finance and Economic Cooperation offices at 1% significance level .

Result regarding to **Independence/ Objective of internal audit** has 5.5 % positively affected the internal audit effectiveness to Finance and Economic Cooperation offices of Oromia Special

Zone Surrounding Finfinne Administration which is not significantly related to IA process. The result may have related to influence effective audit activities is independence and objective of auditors may enable the completion of auditing without interference.

Result regarding to **Competence of internal** audit has 0.1% positively contributions to the internal audit effectiveness to Finance and Economic Cooperation offices which have no significance relationship.

Result regarding to the approved internal audit charter has 36.4 % negatively influences to the internal audit effectiveness to Finance and Economic Cooperation offices of Oromia Special Zone Surrounding Finfinne Administration which has a significance relationship to the existence of audit charter to organization influences negatively the senior management to flow the recommendations of the internal auditor which in turn affects internal audit effectiveness.

5.2 Recommendation

Based on the above finding (conclusion) the following recommendation was made.

The internal auditors of the Finance and Economic Cooperation offices of Oromia Special Zone Surrounding Finfinne Administration and other concerned government body should recommended to maintain and improve their effective contribution for the IAE in their office, by using the supports from their offices management team appropriately, by improving their professional certification in line with the institute of internal audit standards and organizational guidelines and by introducing themselves with modern technologies that improve their IA function for their office.

The management should give more autonomy to the internal audit by minimizing interferences, availing documentation whenever required and giving them permission for access to any office or documentation in the organization/departments. The management should also enhance the autonomy of the internal audit by ensuring enough budgetary allocation.

As it is clearly expressed in the finding of this study auditor's competency have a positive and significant effect on internal audit effectiveness, but in the Finance and Economic cooperation Office internal auditors didn't take a sufficient and continuous professional development activities (such as professional association sponsored programs and correspondence courses).

Therefore, the organization should work to enhance the professional competency of its internal audit staff by letting them to participate on short term and long term audit related training like, Financial Audit, Operational Audit, compliance audit and Integrated budget and expenditure system (IBEX).

The internal audit staffs of the Finance and Economic Cooperation offices of Oromia Special Zone Surrounding Finfinne Administration and other concerned government body also recommended to work in accordance with the available internal audit charters, it helps the internal auditors to provide the appropriate reports and to know the extent of their relationships with the managements, briefly describes their rights and duties IA and the employers.

Finally, future study could be undertaken to explore the determinant of internal audit's effectiveness on the public organizations as country and private organizations. Also other independent variables could be modeled

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QUESTIONNAIRES

Questionnaires to internal auditors

Part a: personal profiles

General Instruction: Please indicate your choice by putting “√” mark in the bracket.

Sex/Gender/: Male (____) Female (____)

Age (in year): 20 to 29 (____), 30 to 39 (____), 40 to 49 (____), 50 to 59 (____),

Above 60 (____)

Your field of study: 1.Accounting (____), 2.Management (____),3. Economics (____),

4.Business Management(____), 5.Business management(____)

Level of education: Bachelor's Degree (____),

Master's Degree (____)

Indicate your sector: public office /bureau [Not for profit] (____) or public

Business enterprise [for profit] (____)

Year of experience in as internal auditors

1. Less 5 years (), 2) 5-10 years (), 3)11-15 years (), 4) 16-20 years () 5) Above 20 years

PART B. QUESTIONNAIRE ITEMS for Auditors

Instruction: Below are lists of statements pertaining to internal audit in your organization.

Please encircle on the appropriate scale that indicates your opinion in statement below.

The values of scales are 5= strongly agree (SA), 4= Agree (A), 3= Neutral (N), 2= Disagree (D),

1= strongly disagree (SD)

Management Support

1. The auditor receive full cooperation, access to records and information from his office/sector

1. Strongly agree 2. Agree 3. Neutral 4. Disagree 5. Strongly disagree

2. The auditor can get the necessary resources (facilities) that help it to perform auditing activities as needed.

1. Strongly agree 2. Agree 3. Neutral 4. Disagree 5. Strongly disagree

3. The office/sector supports IA by providing training in order to improve its skill and update with the field. .

1. Strongly agree 2. Agree 3. Neutral 4. Disagree 5. Strongly disagree

4. The office/sector supports auditors to introduce it with new technology, policy or procedures when it is necessary.

1. Strongly agree 2. Agree 3. Neutral 4. Disagree 5. Strongly disagree

5. The office/sector supports Internal Auditing staffs by budgeting funds for certification to have relevant education in auditing that allows them to audit all of the organization's/sector's systems.

1. Strongly agree 2. Agree 3. Neutral 4. Disagree 5. Strongly disagree

Independence/ Objective of internal audit

6. The IA performs the auditing activities without any interference from anybody and without any influence from the office/sector.

1. Strongly agree 2. Agree 3. Neutral 4. Disagree 5. Strongly disagree

7. The IA freely decide the scope, time and extent of auditing procedures based on auditing standards and the office's/sector's policy.

1. Strongly agree 2. Agree 3. Neutral 4. Disagree 5. Strongly disagree

8. The IA objectively examine auditing issues only meeting on reliable audit evidence and no management interest is involved for adjustment beyond auditing standards & values.

1. Strongly agree 2. Agree 3. Neutral 4. Disagree 5. Strongly disagree

9. The IA feels free to include any audit finding in its audit work and report directly to responsible body.

1. Strongly agree 2. Agree 3. Neutral 4. Disagree 5. Strongly disagree

10. The IA can freely access necessary documents, information and data about the organization/sector for its audit work.

1. Strongly agree 2. Agree 3. Neutral 4. Disagree 5. Strongly disagree

11. IA Conflict of interest is rarely present in the work of internal auditors.

1. Strongly agree 2. Agree 3. Neutral 4. Disagree 5. Strongly disagree

12. Internal auditors rarely face interference by management while they conduct their work.

1. Strongly agree 2. Agree 3. Neutral 4. Disagree 5. Strongly disagree

13. Internal audit staffs have free access to all departments and employees in the organization

1. Strongly agree 2. Agree 3. Neutral 4. Disagree 5. Strongly disagree.

14 The Internal audit staffs are not requested to perform non-audit functions.

1. Strongly agree 2. Agree 3. Neutral 4. Disagree 5. Strongly disagree

Competence of internal audit

15. Internal auditors possess sufficient experience to understand the organization's systems.

1. Strongly agree 2. Agree 3. Neutral 4. Disagree 5. Strongly disagree

16. It is possible to audit and review each activity on time, and cover the planned scope of auditing activities.

1. Strongly agree 2. Agree 3. Neutral 4. Disagree 5. Strongly disagree

17. An internal audit staffs possess knowledge and skills in a variety of areas (beyond accounting and finance), as necessary.

1. Strongly agree 2. Agree 3. Neutral 4. Disagree 5. Strongly disagree

18. The audit procedures and evidence collections are completed on time, since enough and skilled internal auditors are available or employed.

1. Strongly agree 2. Agree 3. Neutral 4. Disagree 5. Strongly disagree

19. An internal auditors undertake continuous professional development activities (such as professional association sponsored programs and correspondence courses).

1. Strongly agree 2. Agree 3. Neutral 4. Disagree 5. Strongly disagree

20. Adequate short-term training is arranged for internal auditors each year.

21. The internal audit staff number & their skill matches the scope of office's/sector's internal operations.

1. Strongly agree 2. Agree 3. Neutral 4. Disagree 5. Strongly disagree

The approved internal audit charter

22. The purpose and authority of internal audit is clearly defined in charter.

1. Strongly agree 2. Agree 3. Neutral 4. Disagree 5. Strongly disagree

23. The purpose and authority of internal audit charter is in line with "Standards for the Professional Practice" formulated by the Institute of Internal Auditors.

24. The IA charter specifies the internal audit activity's position within the office; authorized access to records, personnel, and physical properties relevant to the performance of engagements, and the defined scope of IA activities.

1. Strongly agree 2. Agree 3. Neutral 4. Disagree 5. Strongly disagree

25. Internal audit charter is maintained (available) in my office /sector.

1. Strongly agree 2. Agree 3. Neutral 4. Disagree 5. Strongly disagree

Questionnaires to managers

Part a. Personal profiles

General Instruction: Please indicate your choice by putting “√” mark in the bracket.

Sex/Gender/: Male (____) Female (____)

Age (in year): 20 to 29(____), 30 to 39(____), 40 to 49 (____),

50 to 59(____), above 60 (____)

Your field of study: Accounting (____), Management (____),

Economics (____), other specify _____

Level of education: Diploma (____) Bachelor's Degree (____),

Master's Degree (____) or others specify _____

Indicate your sector: public business enterprise [for profit] (____) or

Public office /bureau [Not for profit] (____)

Year of experience in Managers or Finance officer in your sector

Two years and less (), above two years less than five years (),

Above five years less than ten years (), above ten years ()

PART B. QUESTIONNAIRES ITEMS

Instruction: Below are lists of statements relating to managers or finance officer in your organization. Please encircle on the appropriate scale that indicates your opinion in statement below. The values of scales are 1. Strongly agree 2. Agree 3. Neutral 4. Disagree 5. Strongly disagree

1. Internal audit develops a risk-based annual plan.

1. Strongly agree 2. Agree 3. Neutral 4. Disagree 5. Strongly disagree

2. Internal audit evaluate the effectiveness of internal controls and risk management of the organization.

1. Strongly agree 2. Agree 3. Neutral 4. Disagree 5. Strongly disagree

3. Internal audit activity is adding value at a low cost within your organization.

1. Strongly agree 2. Agree 3. Neutral 4. Disagree 5. Strongly disagree

4. Internal audit activity meets the requirements of the IIA's Code of Ethics.

1. Strongly agree 2. Agree 3. Neutral 4. Disagree 5. Strongly disagree
5. Internal audit ensures the economical, effective and efficient use of resources in public sectors.
1. Strongly agree 2. Agree 3. Neutral 4. Disagree 5. Strongly disagree
6. Internal audit ensures the activity that is performed compliance with established policies, law, regulation and directives.
1. Strongly agree 2. Agree 3. Neutral 4. Disagree 5. Strongly disagree
7. Internal audit performs their task in a professional and courteous manner.
1. Strongly agree 2. Agree 3. Neutral 4. Disagree 5. Strongly disagree
8. The audit reports provided by internal auditors of this organization are reliable and significant.
1. Strongly agree 2. Agree 3. Neutral 4. Disagree 5. Strongly disagree
9. The internal audit team members have sufficient technical and IT knowledge to perform their role effectively.
1. Strongly agree 2. Agree 3. Neutral 4. Disagree 5. Strongly disagree
10. Internal auditors have the experience to address risk management problems within the organization.
1. Strongly agree 2. Agree 3. Neutral 4. Disagree 5. Strongly disagree
11. Internal audit obtains a sufficient budget to complete its Internal Audit Plan.
1. Strongly agree 2. Agree 3. Neutral 4. Disagree 5. Strongly disagree
12. Internal audit activity is an independent objective assurance and consulting activity.
1. Strongly agree 2. Agree 3. Neutral 4. Disagree 5. Strongly disagree
13. Internal auditors obtain unrestricted access to any information regarding your organization.
1. Strongly agree 2. Agree 3. Neutral 4. Disagree 5. Strongly disagree
14. Your internal audit activity proactively examines important financial matters, risks, and internal controls.
1. Strongly agree 2. Agree 3. Neutral 4. Disagree 5. Strongly disagree
15. The internal audit department's should follow-up and ensure that corrective actions are taken.
1. Strongly agree 2. Agree 3. Neutral 4. Disagree 5. Strongly disagree