



**THE ROLES AND CHALLENGES OF INTERNAL AUDIT TO  
ACHEIVE THE ETHIOPIAN MINISTRY OF REVENUES' GOAL:  
PRACTICES AT FEDERAL TAX PAYERS OFFICE, THE CASE OF  
ADDIS ABABA AREA BRANCHES**

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A Thesis is submitted to the Department of Accounting and Finance in partial fulfillment of the requirements for the Degree of Masters of Science in Accounting and finance

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## **Declaration**

I, Terefe Messele declare that, this project paper prepared for the partial fulfillment of the requirements for MSC. Degree in Accounting and Finance entitled “ The Roles and Challenges of Internal audit in Ethiopian Ministry of Revenues: in the case of Addis Ababa Area Branches” is prepared with my own effort. I have made it independently with the close advice and guidance of my advisor.

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*By*

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## *Abstract*

*This study is aimed in assessing the role and challenges of internal audit: in Ministry of Revenues (Revenue Sector) to achieve its goal. The purpose here is to examine the practical role as well as its limitation in assuring tax operational efficiency which leads to compliance. Accordingly, the descriptive method of research design was used adopting structured and semi structured questionnaire analyzed by SPSS (22) software. Doing so the examination found out that the internal audit in the organization has no vital role on operational efficiency assurance (tax collection activity) getting challenged with independency matter accompanied by managerial influences and absence of relevant supports to wide coverage of assurance to add value on the anticipated objective which ultimately increase tax compliance. Hence the study recommends mainly the managerial body to maintain the independency of internal audit through acting on the audit recommendations and enhancing the profession by motivation and training different audit frame works.*

***Key Words: Internal Audit, Ministry of Revenues' goal, Roles and Challenges of IA, Tax collection efficiency***

# CHAPTER ONE

## 1. INTRODUCTION

### 1.1. Background of the study

Internal auditing is an innovative function that has focused on emerging control and audit expertise including control self-assessment, which enlists the support of the employees in diagnosing efficiencies and implementing improvements in different areas of auditing (Soltani, 2007). The internal audit function helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. The scope of internal audit is broad and may involve the efficiency of operations, IT controls, the reliability of financial reporting deterring and detecting fraud, and compliance with laws and regulations (Career Path-Internal Auditor, 2017). Where there is an internal audit function, its status and remit derives from the needs of the organization and should be set at the top of the organization, i.e. by the board and the audit committee. There is no single model for internal audit and each organization will determine what is appropriate to suit its requirements. In general, internal audit could, if agreed by the audit committee, seek assurance that: The organization has a formal governance process which is operating as intended: values and goals are established and communicated, the accomplishment of goals is monitored, accountability is ensured and values are preserved (ICA, 2004).

The history of the development of internal auditing in Ethiopia dates back to about the middle of the 1940s just about the time when an internal audit was evolving as an organized profession in the United States. An internal audit in Ethiopia had its early legislative root in the Constitution of 1923 which authorized the establishment of an “Audit Commission” (Articles 34); and the Audit Commission itself was established much later by Proclamation 69/1944 to audit the accounts of the Ministry of Finance (Essayas and Meskerem,2018).

The Proclamation mandated the Ministry of Finance to audit other budgetary institutions as a measure of internal control over the financial operations of the budgetary institutions. It appears that this early practice of internal auditing as per Proclamation 69/1944 was, in fact, to be the root of what the Inspection Department of the Ministry of Finance (MoF) continued to perform to this day, until the recent reorganization. The Internal Audit Standards of Public Bodies of the Government of Ethiopia are contained in the Audit Procedural Manual issued by the MoF. (Essayas and Meskerem, 2018).

The Financial Regulations of the Council of Ministers (No 17/1997) and Article68 of the Proclamation on Financial Administration (No. 57/1996) establish the basis for internal audit and internal control of the Government of Ethiopia (MoFED, 2003).

In Ethiopia an internal audit is the recent unit in governmental organizations which gradually changing towards a modern way. Even though it is highly concerned on budgetary issues, it is expected for its overall role including fraud assessment and detection in work processes. The internal auditor generally starts in the accounting and financial fields and was examined and evaluated unspecified financial aspects extends to operational areas as well (Abutaber, 2016). While as many scholars view and the nature and broad function of internal audit, its vital roles in achieving organizations' objectives are likely hidden due to different factors. In the suggestion of Essayas and Meskerem (2008) suggestion, fair and enough salary and benefit of internal auditors of public organizations in Ethiopia will matter the performance of the same.

Ministry of revenue was established in 2010 E.C (by proclamation number 1097/2018) is the body responsible for collecting revenue from Customs duties and Domestic taxes. In addition to raising revenue, it is responsible to protect the society from adverse effects of smuggling and contraband. It seizes and takes legal action on the people and vehicles involved in the act of smuggling, any tax evasion and avoidance while it facilitates the legitimate movement of goods and people across the border. The formation of Ministry of Revenues signals the Ethiopian Government's commitment to establishing a modern tax and customs administration dedicated to meeting the requirements of the business community, encouraging voluntary compliance, combating smuggling, tax evasion and fraud as well as other illegal activities, thereby, contributing to the economic and social development of Ethiopia. Its mission is to build overall capability of workforce and using modern technology so as to build harmonized tax administration system, to provide easy, simple and fair services to improve culture of voluntary compliance, to enforce tax and customs laws, and to collect tax revenue to be generated from the economy.

It is unquestioned that internal audit would have a significant value in increasing the government revenue sourced from different types of taxes meeting its mission unless hindered with challenges. The question here is what then is the role of internal audit in tax revenue collection and ultimate goal of tax compliance? And what challenges faced? Accordingly the study is aimed at investigation of the role and challenge of internal audit in Ethiopian Ministry of revenue.

## **1.2. Statement of the Problem**

Internal audit is one of the four pillars of an organization's governance process, and must be allowed to work effectively and collaboratively with the other three pillars (Board of Directors, management, external audit) to ensure the achievement of organizational objectives (Carmen, 2011). According to the institute of internal auditors (IIA), the internal audit activity must evaluate and contribute to the improvement of the organization's governance, risk management, and control processes using a systematic, disciplined, and risk-based approach. Internal audit credibility and value are enhanced when auditors are proactive and their evaluations offer new insights and consider future impact (IIA, 2016). Government at all levels acknowledges the

crucial role of internal auditing in maintaining the efficiency, economy and effectiveness of public administration at all structure (IIA, 2009).

Internal audit can have an important assurance role in an institution's governance processes, specifically in the area of risk management and control. In many organizations, internal audit have increased anticipation to make a significant contribution and its function is also becoming trusted (ICA, 2004).

However, internal audit in public institutions in Ethiopia are assumed as the unit to keep public money in safeguarding assets and proper use of resources rather than enhancing the purpose of those money utilization. It is in short why the organization is working for and what are the objectives established. And the way how it can be achieved should have to be examined in line with the function of internal audit through support of core work process and advice of management. The Ethiopian Ministry of Revenues needs to modernize internal audit in its vital function that can lay value in its mission to achieve self-centered tax declaration for voluntary compliance. As perceived in this study, the role of internal audit has less likely examined in its importance for the achievement of public body's objective than fraud and wise use of resources. In the reviewed studies, scholars obviously found out the factors limiting the internal audit function regarding to usual assurance (wise use of resources, budget control) and detecting fraud than organizations' risk assessments and achievement of the goal by examining core work processes and giving good advice to manager. Especially the role of internal audit and its limitations in revenue sector's goal achievement likely less focused in studies observed.

Hence it is inspired to study the limitation of internal audit on its role in MOR effectiveness to achieve its goal whether the audit is evaluating tax collection activities including tax audit quality to increase government revenue and tax compliance.

### **1.3. Objective of the study**

#### **1.3.1. General Objectives**

The general objective the study is assessing the role and challenge of internal audit in achieving Ministry of Revenues' goal respect to practices being applied, at federal tax payers offices, Addis Ababa area branches.

#### **1.3.2. Specifically Objectives**

In satisfying the general objective of the study, specifically it is attempted:

- To assess the significance of internal audit in the organization for operational efficiency.
- To examine whether internal audit is evaluating tax collection activity effectiveness.
- To assess the problems internal audit face in its audit activity in examining and improving tax collection process and tax audit quality.

#### **1.4. Significance of the study**

The findings of this study is expected to contribute enhancement in the role of internal audit by identified challenges in organization to increase the compliance of the tax payer and by the same time increasing government revenue sourced from tax. Thus, the government will be able to minimize the observed internal audit problems to increase tax revenue in addition to collecting the required amount of revenue. Managers (audit committees where available) and internal auditors will have future oriented view with respect of internal audit functions. Finally this study will be used as a source of information and an insight for further investigation to researchers who are interested to carry out similar in role and challenges of internal audit for sustainable improvement of the tax payers' compliance level.

#### **1.5. Scope of the study**

The study is delimited to consider only the role and challenge of internal audit in Ethiopian Ministry of Revenue (MOR) –Addis Ababa area branch offices. The investigation targeted the internal audit staffs and managements in Large Tax payers Office (LTO), Medium Taxpayers Office (MTO), East Addis Ababa Tax payers Office and West Addis Ababa Tax payers Office for source of data with given one academic year. Mainly it was highly focused on internal audit staffs that have direct concern with the issue. The number of auditors and mangers taken was 90 for research question in MOR only in Addis Ababa area branches.

#### **1.6. Limitation of the study**

The organization has internal audit unit in each branch at federal level including branches in regions. It would have been better to conduct the study in wide coverage in all branches. Due to time and money budget constraints the study restricted only in Addis Ababa Area branches. The currently spreading pandemic Coronavirus disease (COVID-19) also made inconvenience to duplicate questionnaire as usual for the fear of its highly contaminated nature and the strict care. Within given short time which is one year, there is high sense of depression and despairing among the community with restricted movement and interaction. On the other hand, the organization has no sufficient documents that further aid secondary source of data.

#### **1.7. Organization of the study**

The study is composed of five chapters, the first chapter is focused on introduction of the research, the second chapter showed related literature review in relation to theoretical and empirical aspects, the third chapter describes the research methodology used, the fourth chapter is about data analysis and presentation, finally the fifth narrates conclusions and solution based suggestions and recommendations centered on the conclusions summarized.

## CAPTER TWO

### 2. LITERATURE REVIEW

#### 2.1. Theoretical Review

##### 2.1.1. Evolution of Auditing

The history of auditing started as man's awareness of the need to safeguard state and personal property that has been inferred from the records of a Mesopotamian civilization going back as early as 3500 BC. These records, involving financial transactions displayed various markings, which may be construed as a system of verification, internal controls and separation of duties. (Van Gansberghe, 2003). Ancient Rome employed the "hearing of accounts", where one official would compare his records with those of another, entails an application of both separation of duties and verification practice, hearing of accounts, which gave rise to the term "audit", from the Latin "Audire", to listen.

In the medieval period, Industrial Revolution in Europe changed the role of auditing that went beyond hearing of accounts to include verification of accounting records and associated supporting documentation.

Since Second World War internal audit, has evolved rapidly from the primarily function, which is concerned with financial and accounting matters to the one that addresses the entire range of operation activities. Internal audit profession has advanced primarily as consequences of; the increase size and decentralization of organization, the greater complexity of their operations, and the resulting need for means of monitoring their numerous activities, various government organizations are expected to have an internal auditing function and an audit committee composed of non-management directors (Gliem, 1999).

##### 2.1.2. Types of audits

According to Ethiopian internal audit manual auditing can be mainly categorized into four types:-

**a. Financial audit:** involves verification of financial data to express opinion on their validity and reliability.

**b. Compliance audit:** involves verifying compliance to policies, plans, procedures, laws and regulations

**c. Value for money (performance) audit:** is a forward looking evaluation of operations to identify areas in which economy, efficiency and effectiveness (the three E's) may be improved or to evaluate compliance with and the reliability of operational policies, plans and procedures. It includes evaluation of inputs, process and outputs. Other names used to describe this type of audit contain Operational, Management and Three E audit (MOF, 2005).

**D. Environmental audit:** is an audit which checks the degree of compliance with both internally and externally determined emission and pollution standards (MOF, 2005).

### **2.1.3. The development of internal audit in Ethiopia**

The history of the development of internal auditing in Ethiopia dates back to about the middle of the 1940s just about the time when an internal audit was evolving as an organized profession in the United States. An internal audit in Ethiopia had its early legislative root in the Constitution of 1923 which authorized the establishment of an “Audit Commission” (Articles 34); and the Audit Commission itself was established much later by Proclamation 69/1944 to audit the accounts of the Ministry of Finance (Essayas and Meskerem, 2018).

The same Proclamation mandated the then Ministry of Finance to audit other budgetary institutions as a measure of internal control over the financial operations of the budgetary institutions. It appears that this early practice of internal auditing as per Proclamation 69/1944 was, in fact, to be the root of what the Inspection Department of the Ministry of Finance and Economic Development (MoFED) continued to perform to this day, until the recent reorganization (Essayas and Meskerem, 2018).

The period of the early 1950s marked the introduction of a budgetary system in government. The commencement of an annual public budget in 1955 for the first time in the history of the country ushered in a system of financial administration based on the annual budget with all its attendant requirements for strengthened internal control in the budgetary agencies. This entailed the formation of internal audit as an integral a part of the budgetary internal control system (Essayas and Meskerem,2018).

Internal Auditing in Ethiopia obtained legal recognition for the first time in 1987 through Proclamation No. 13/1987. This proclamation empowered Office of Auditor General (O.A.G) to direct the Internal Auditors of Government Offices and Public Enterprises in three aspects that are whether accounting records are properly maintained and reliable, whether the assets of the ministries and enterprises are adequately safeguarded and properly maintained; and whether policies and procedures laid down by top officials/ management are complied with that implies less attention was given to operational audit as a service to management (Lema, 2000).

In 1994 the civil service reform program organized a task team which was formed by Prime Minister to assess and review the performance of Civil Service and come with the following findings: absence of Internal Audit functions in some of the Ministries and Public enterprises, internal auditors dedicated most of their times and efforts on pre-audit, internal auditors neither have the skills needed nor working manuals.

On July 1, 1997 the Financial Administration Regulations No. 17/1997 was issued in which the responsibility of internal audit function was transferred from the Office of the Auditor General to

the Ministry of Regulation set out the responsibilities of the Minister of Finance to develop and maintain appropriate standards of work and conduct for application in all public bodies internal audit function and after this financial regulations almost all public bodies established Internal Audit Services; almost all public bodies discontinued pre-audit or pre-checking (Wolderuphael, 2000).

In 1998 the Ministry of Finance issued an Operational Audit Manual to strength the Audit activity in the Public Bodies. According to this manual internal audit services are made to report to the high level persons of the organizations. In May 2007 policy directive was issued to further enhancing the Internal Audit service function in the public bodies, however, the legal basis laid down by both in the Regulations of Council of Ministers and the Ministry of Finance Directive is applicable only to internal auditing under the auspices of Public bodies and does not apply to public enterprises and the private sector, but recently Public Enterprises Supervising Authority has issued policy directive for establishment of audit committees with in all public enterprises and an audit manual to maintain uniformity of audit work in all public enterprises (Samuel, 2008).

#### **2.1.4. Roles of Internal Audit**

The Internal Audit Standards of Public Bodies of the Government of Ethiopia are confined the Audit Procedural Manual issued by the MoFED. The Manual also states that Standards reflect the frame for the Professional Practice of Internal Auditing issued by the Institute of Internal Audit (Essayas and Meskerem, 2018).

Internal audit is part of internal control, set by the management, delegating its supervisory functions to specially assigned staff, with the objective to see that the internal controls are in operation and to assist them in fulfilling their responsibilities such as

1. Safeguarding of the assets
2. Reliability of financial records and
3. Efficiency in operation

“Internal auditing” means an appraisal activity *established within an entity as a service to the entity*. Its functions include, amongst other things, examining, evaluating and monitoring the adequacy and effectiveness of the accounting and internal control system ( ACC 311).

The scope of internal auditors is to provide independent, objective assurance and consulting activity, so that to add value to the organizations in the course of evaluate and improve the effectiveness of risk management, control, and governance processes. At the same time, it recognizes that there are many different constituencies for internal audit services that are: Senior management, who are interested on the accomplishment of the objective of the organization,

operational management they focuses on the value added services of internal auditors for the improvement of organization's operations, and audit committees and the board of directors their center of attention are the effectiveness of risk management, control, and governance processes (IIA, 2003).

- **Responsibility of Internal Audit as of Ethiopian Government**

The Internal Audit is responsible for an independent, objective assurance and consulting activity designed to add value and improve the public body's operations. It helps the public body accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes (MoFED, 2003).

- **Scope of Work for Internal Audit Applicable as of Ethiopian Government**

Internal audit should fulfill its duty by systematic review and evaluation of risk management, control and governance which comprises the policies, procedures and operations in place to:

- Establish, and monitor the achievement of the public body's objectives;
- Identify, assess and manage the risks in achieving the public body's objectives;
- Ensure the economical, effective and efficient use of resources;
- Ensure compliance with established policies (including behavioral and ethical expectations), procedures, laws and regulations;
- Safeguard the public body's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption;
- Ensure the integrity and reliability of information, accounts and data, including internal and external reporting and accountability processes.

Internal audit should devote particular attention to any aspects of the risk management, control and governance affected by material changes to the public body's risk environment (MoFED, 2003).

### **2.1.5. The Challenges of Internal audit**

To encourage good governance in public sector in minimum, audit activities need: organizational Independence, unrestricted access, sufficient funding, technical and managerial competence, objective staff, competent staff, stake holder's support, professional audit standard (Stephen G. Goodson, 2012). In general the elements of internal audit ranging from oversight, Further, insight and foresight is the basic pillar of providing proper internal auditing in public sectors (El-Tahan, 2016). Total absence of internal audit will lead the lack of oversight, which intern leads to distrust among citizens and stake holders. The key point of public sector audit activities must be configured appropriately to support public sector entities to fulfill their duty to be accountable and transparent to the public while achieving their objectives effectively, efficiently, economically, and ethically (IIA, 2012). In Ethiopia internal auditors are employed to provide an

independent and objective opinion to the head of public body on risk management, control and governance by measuring and evaluating their effectiveness in achieving the public body's agreed objectives and provide an independent and objective consultancy service specifically to help management improve the public body's risk management, control and governance and applies professional skills through a systematic and disciplined evaluation of the policies, procedures and operations that management inaugurate to ensure the achievement of the public body's objectives and through recommendations for improvement (MoFED, 2005).

In the government public sectors, the internal audit unit does encourage some challenges in the process of discharging their responsibilities which makes it difficult for the unit to efficiently carry out its functions. The problem seems to be dual in that some of the problems arise from the auditing staff and some arise from non-auditing staff. Some of these challenges areas follow:

#### A. Organizational independence

MOF (2003), Ethiopian Government Auditing Standards (EGAS, 2006) and IIA (2006) states that organizational independence allows the audit function to conduct work without intervention by the entity under audit. EGAS (2006) placed emphasis that in all matters related to their audit work, audit offices and individual auditors must have independence from the legislature, executive and the management of the audited entities.

Just as independence is a major issue for external auditors, independence is also an important matter for internal auditors. However, because the company they are auditing directly employs them, it is impossible for internal auditors to be independent in the same way as external auditors (Hock and Burch, 2011). The authors additionally affirmed that a crucial issue of organization independence is for the chief audit executives (CAE) to have a reporting line in the organization that will allow the internal audit activities (IAA) to fulfill its responsibilities.

Van Gansberghe (2005) stated that, the agreement and active involvement of the head of internal audit, senior managers, audit staff, accounting officers and senior operational management must be secured in a climate that fosters independence, but valued assessment of the effectiveness of risk management, control, and governance processes. To foster independence, Wobschall (2011) on his internal Audit Quality Assessment Framework paper similarly affirmed that internal auditors sufficiently maintain independence and objectivity by not including operational areas for which they have previously had executive or management responsibility within the last year and not undertake subsequent audits of a system, which they have previously been involved in consultancy on systems design.

#### **B. Management support**

Dessalegn and Aderajew (2007), their Ethiopian higher education case study result shows that management support to internal audit is considered as one of the factors of IA's attributes. They also indicate that audit findings and recommendations would not serve much purpose unless management is devoted to implement. The institute by the same time stated that the legitimacy of the audit function and its mission should be understood and supported by a broad range of elected and appointed government officials, as well as the media and involved citizens (IIA, 2006).

MOF, (2003) affirms that heads of internal audit should co-ordinate internal audit plans and actions with the management, other internal auditors, external auditors, and other review agencies to ensure the most effective audit coverage is achieved and duplication of the effort is less. In line with this thought, Van Gansberghe (2005) noted that the IA function should work closely together with operational managers to advance the organization's evaluation of risks and determine its risk desire to improve its systems, regulations, procedures and the ethical environment.

### **C. Unrestricted access**

Audits should be conducted with full and unrestricted access to employees, property and records (IIA, 2006). In relation to this, encyclopedia of business indicates that internal auditors have unrestricted access to whatever they might need to make an objective investigation. It includes unrestricted access to plans, forecasts, people, data, products, facilities and records necessary to accomplish their independent evaluations (<http://www.reference for business. com/index. html>.)

### **D. Sufficient funding**

The audit function must have sufficient funding relative to the extent of its audit responsibilities. This important element should not be left under the control of the organization under audit, because the budget affects the audit function's capacity to carry out its duties (IIA, 2006).

### **E. Competent leadership**

The head of the audit function should be able to effectively recruit, retain and manage highly skilled staff. Moreover, the chief audit executive should be an fluent public spokesperson for the audit function (IIA, 2006). The Ministry of Finance of Ethiopia describes the minimum level of skill, knowledge and experience required of the internal auditor and the Head of the Internal Audit. It also states the Head of Internal Audit should be qualified and have a sufficient experience of management.

### **F. Competent staff**

The audit staff who have line responsibility for ensuring the quality of audits should supervise and review audit activities and the audit report by using the auditing standards EGAS (2006). In line with this notion, the audit function needs a professional staff that collectively has the necessary qualifications and competence to conduct the broad range of audits required by its mandate. Auditors must fulfill with minimum continuing education requirements established by their relevant professional organizations and standards (IIA, 2006).

### **G. Professional audit standards**

The institute stated that professional audit standards support the implementation of the listed elements and provide a framework to promote quality audit work that is systematic, objective and based on evidence (IIA, 2006). Internal auditing is conducted in diverse legal and cultural environments; within organizations that vary in purpose, size, complexity and structure and by persons within and outside the organization. While differences may affect the practice of internal auditing in each environment, conformed with The IIA's International Standards for the professional Practice of Internal Auditing (Standards) is vital in meeting the responsibilities of internal auditors and the internal audit activity (IIA , 2010).

## **H. Difficulty in collecting the necessary information**

Auditors should gather competent, relevant and reasonable audit evidence to strengthening findings and conclusions regarding the organization, program, activity or function under audit. But, at times auditees may not cooperate with the auditors to the extent they should or may even threaten them or deliberately hide information. Besides, insufficient documentation delays auditors from accessing relevant appropriate audit evidence. Due to such problems, the audit work may run out of time schedule and auditors may limit their audit for the simple issues that they will be evaluated for failure to complete an audit as planned (MOF, 2003).

## **I. Lack of motivation**

Auditors should give reasonable care in execution of their work. Unattractive benefits (salary, trainings, educational opportunities, bonuses etc.) limit the auditor's level of satisfaction and make him/her to be negligent in discharging his/her duties. Thus the level of dissatisfaction of auditors (apart from the issue of competence) is affecting the quality and completeness of performance audit results (MOF, 2003).

## **J. Lack of experience sharing activities with other organizations**

International, national, regional or local level share of ideas, knowledge harmonizing standards, sharing best practices and experience is an effective means of raising the quality of audit which in turn help audit organizations fulfill their mandate (MOF, 2003).

## **K. Not enough media exposure for audit results**

The media can play a significant role in enhancing the function and public stature of an audit organization. Audit institutions can establish a good working relationship with the media to convey necessary audit findings and recommendations. However due to absence of free media, except those few if at all they are free per se, actions and accountabilities will be delayed if at all they are not overlooked all together (MOF, 2004).

## **2.2. Empirical Review**

### **2.2.1. The Role of Internal Audit**

The role of internal audit function to promote good governance within public sectors is well noted by concerned governmental bodies and recognized scholars (Barasa, 2015). In this world internal audit is the most necessary tool to enhance the performance of organization (Gupta, 2001). It provides the board of directors, the audit committee, the chief Author: Department of Accounting and Finance, Bule Hora University. E-mail: [tesemabhu@gmail.com](mailto:tesemabhu@gmail.com) executive officer, senior executives and stakeholders with an independent view on whether the organization has an proper risk and control environment, at the same time acting as a catalyst for a strong risk and compliance culture within an organization (IIA, 2014).

Stephen G. Goodson, (2012) opined that the credibility of the audit activity strengthens public governance by providing for accountability and protecting the core values of government, which it does by assessing whether managers and officials perform the public's business transparently, fairly, honestly, and in accordance with laws and regulations.

Internal audit function is an important in any organization that has a positive effect on the quality of financial reporting and good governance (Rahmatika, 2013). Hence the presence of internal auditors will decrease any weakens in the accounting system and implementation of their recommendation will improve control and minimize the risk of fraud and errors (Guruswamy, 2012). Indeed recent research shows that IA effectiveness does play a role in ensuring effective management in public sector (Enofe, 2013). Furthermore Rahmatika and Yadiati, (2016) assured that internal audit has a positive effect on the quality of financial reporting, on good governance of the government. Internal audit function (IAF) is part of the internal monitoring system of the organization and therefore should be situated within the organization such that the independence of internal auditors can be guaranteed and it has been found to be an instrument for improving public sector management (Unegbu & Kida, 2011).

Belay, (2007) affirms that an internal audit that performs better is one of the strongest means to monitor and promote good governance system in an organization. Thus, good governance is considered as a tool that is used in order to achieve plan of an organization.

Formerly there were some studies conducted on internal audit areas in Ethiopia such as Mihret, and Yismaw, (2007) has been undertaken study on internal audit effectiveness in Ethiopian public universities, Hamdu Kedir and Addisu Gemed, (2014) has been studied internal auditing standards and its practice the case of East Arsi Zone, Ethiopia, Odowa, (2015) has been conducted research on Internal audit practice the case of Somali Regional Government Public sector offices, Ethiopia and (Amina, 2016) has been conducted the research on The Role of Internal Auditors in Private and Public Organizations of Jimma Zone Selected Weredas. Amina, (2016) presented the role of internal auditors in Jimma zone using mixed research approach and descriptive analysis.

Abutabar, (2016) examined the role of internal audit function in the public sector and concluded that it has a role on maintenance of public money as well as the internal auditors has the knowledge to maintain public money. Here we can assure that the internal audit has an important role in wise use of public money by controlling governmental organization activities. Juma, Veronica and Nalukenge (2017) found out the most perceived role of internal audit towards report on generating financial information. Monisola, O. (2015) shown in the study that internal audit uses as a tool for controlling possible errors, irregularities and fraud. Petraşcu and Tîeanub (2014) in their article opined in their article as internal audit is important to all organization for efficiency-maximizing profit at minimum cost by adding value for good management in achieving the organization goal. Of many scholars studied the role of internal audit in detecting fraud, Clement and Raphael (2017) recommended banking industry auditors as they have to increase their scope on the efficiency of internal control, risk assessment and system audit to improve detection of fraud. Josiah, Samson, and O Elizabeth studied on analysis of the role of auditors in detection of fraud. As perceived now, the role of internal audit has less likely examined in its importance for the achievement of public body's objective than fraud and wise use of resources.

### **2.2.2. The Challenges of Internal Audit**

There are also arguments in well-functioning of internal audit in different institutions to have its intended output. Regarding to public sectors, researchers found out different factors affecting internal audit. MoFED, (2005) of Ethiopia identified challenges hindered the role of internal audit such as lack of management respect this also supported Odowa, (2015), Fekadu, (2009), lack of independence, assigned of internal auditors to many tasks and being ignored (conflict of interest) and lack of professional development which is also stated by (Amina, 2016). In addition to that the recent study on internal audit practices case of Ethiopian governmental higher educational institutions conducted by Bethlehem Fekadu, (2009) presented that there are many bottle necks that faces the internal audit of Ethiopian public sector like, lack of developmental programs for internal auditors also supported by Odowa, (2015), no audit committee and internal audit charter in the institution to improve the independence of the internal auditors, and other organizational factors are critical factors influencing effectiveness of IAF in the public universities. Also recent research on internal audit practice of Somali Regional Government Public sector offices by Odowa, (2015), exposed that internal audit is not free from intervention in performing it duties and internal auditors are not feel free to include any finding in to their audit report , lack of periodical internal audit assignment rotation , lack of budget to carry out beyond financial and compliance audits, no possess knowledge & skills in a variety of areas beyond accounting & finance as necessary, internal auditors do not carry out continuous professional development activities, the scope of the internal audit function did not yet go far to cover scope of internal audit and much time is consumed in performing financial and compliance audits, absence of risk assessment in audit planning and internal audit plan is not based on organizational risk profile factors are serious factors influencing effectiveness of IAF in the Public sector offices (Odowa, 2015). Internal auditor technical competency, working environment, internal auditor independence, having industry specialization, salary and benefit and management support on internal auditor performance are mentioned as factors for malfunctioning of internal audit in the study of Essayas and Meskerem,2018 . They also examined that internal auditors did not have healthier working environment to perform their auditing duties in better ways, did not provide adequate trainings to enhance their understanding and knowledge about the organization's core process. In their conclusion, basically internal auditors are not motivated to perform their auditing duties and will not be effective unless they are getting enough fair salary and benefits. Ayagre, (2015) stated that the limitations of internal audit for good governance are low management support in spending, motivating and improving the internal auditors. The studies obviously found out the factors limiting the internal audit function regarding to usual assurance (wise use of resources, budget control) and detecting fraud than organizations' risk assessments and achievement of the goal by examining core work processes there and giving good advice to manager specially in revenue sector.

### **2.3. Gap Identification**

The study attempted to analyze the above different empirical reviews and theoretical facts in order to realize the findings. It does not necessarily mean that the findings of one country merely applies for another country and one sector specific to another, because of each nation and organizations have own different culture, economic background, political environment, and compliance rule and regulation in public sector and other reflections that needs to take in to account.

Many scholars studied different researches on internal audit roles and challenges on different areas including public institutions on the topics focused on fraud, good governance, efficiency and economy of public resources on practice of internal auditors on higher education practical and the respective challenges of internal audit, in different countries including Ethiopia.

However, internal audit in public institutions in Ethiopia are assumed as the unit to keep public money in safeguarding assets and proper use of resources rather than enhancing the purpose of those money utilization. It is in short why the organization is working for and what are the objectives established. And the way how it can be achieved should have to be examined in line with the function of internal audit through support of core work process and advice of management. The Ethiopian Ministry of Revenues needs to modernize internal audit in its vital function that can lay value in its mission to achieve self-centered tax declaration for voluntary compliance. As perceived in this study, the role of internal audit has less likely examined in its importance for the achievement of public body's objective than fraud and wise use of resources. In the reviewed studies, scholars obviously found out the factors limiting the internal audit function regarding to usual assurance (wise use of resources, budget control) and detecting fraud than organizations' risk assessments and achievement of the goal by examining core work processes and giving good advice to manager. Especially the role of internal audit and its limitations in revenue sector's goal achievement likely less focused in studies observed.

Hence it is inspired to study the limitation of internal audit on its role in MOR effectiveness to achieve its goal whether the audit is evaluating tax collection activities including tax audit quality to increase government revenue and tax compliance.

### **2.4. Conceptual Framework**

The conceptual framework for roles and challenges of internal audit explains the relationship between achieving the Ministry of revenues' (MOR) goal with the proper audit planning and its implementation, independence of internal audit, competency of internal auditors and job satisfaction of internal auditors. An important and organization based strategic plan and good implementation with free access in all audit activity and scope matters the effective achievement the organization. Indeed, competency of employed internal auditors with their required minimum experience educational background and the working environment affects the auditor's efficiency

to meet the ultimate objective of the ministry. Based on the above discussions of the previous research and related literature, this study claims the following conceptual framework as shown below in diagram.

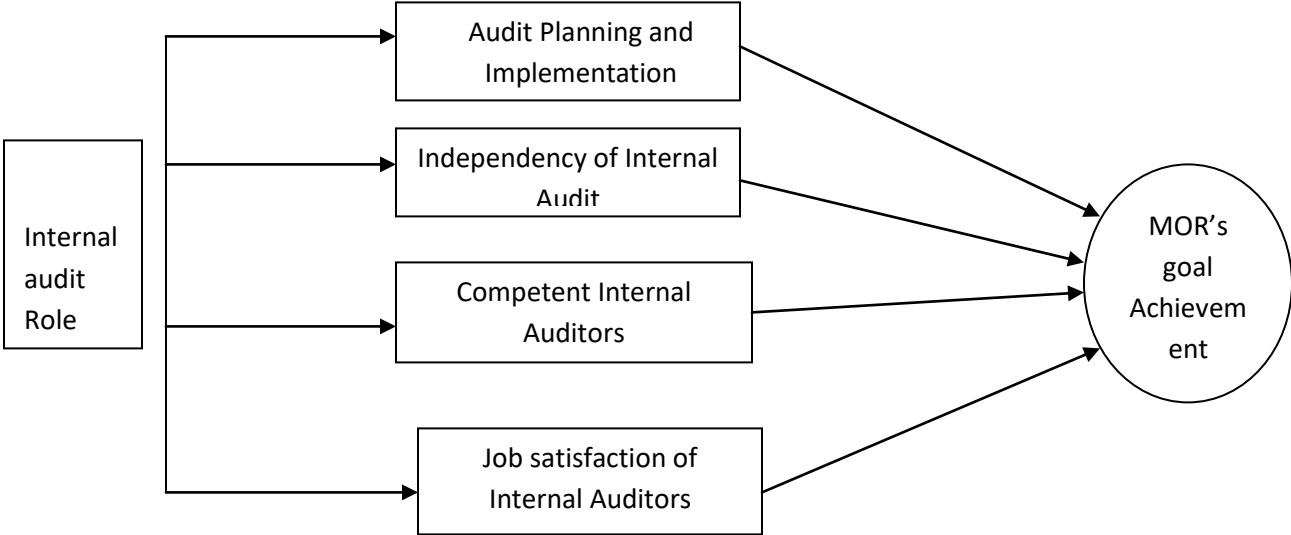


Fig.1 *Conceptual frame work*

## **CHAPTER THREE**

### **3. RESEARCH DESIGN AND METHODOLOGY**

#### **3.1. Research Approach and Philosophy**

The study used quantitative research approach. Internal audit in its real definition and relied function has a whole role of safeguarding assets, assurance of reliability of financial record and operational efficiency. The reluctance of internal audit shifting the focus on the routine activities, how to collect the tax in sole management technique without recommendations and remedies viewed usual. Thus it was in need to observe the importance of internal audit in government revenue collection system specially sourced from tax identifying the problem. That is why quantitative approach applied. Both primary and secondary data collection tools were used to collect relevant data sources. The Information was gathered through questionnaire with close-ended question with few clarification and documents found in the study organization. The study used the descriptive method of research to suit the quantitative data analysis for the reasons justified in the next topic.

#### **3.2. Research design**

In the social science study, there are numerous forms of research methodologies and the research schemes vary from research to research. The study adopts a descriptive method design to examine the internal audit roles and challenges facing internal auditors in performing their roles. Hence for the intention of this study, the design used is a descriptive method in nature which attempt to describe systematically a situation, problem, and phenomenon or describes attitudes towards an issue. This is because of the descriptive method suits quantitative as well as qualitative (mixed) study approach since the approach is applicable as Creswell (Creswell, 2003). And it is also important to analyze data in clearly and unbiased explanation for user. It is also easy to implicate the results using the fully described data.

#### **3.3. Population and Sampling Design**

The study used 4 branches and Head Office of Ethiopian Ministry of Revenues. The focus is on Ministry of Revenues-Addis Ababa area branch offices(Head Office, Large tax payers office, Medium taxpayers office, South Addis Ababa tax payers office, and East Addis Ababa tax payers office whose targeted total population number is 185 (147 managers and 38 internal auditors) as the information gathered on September 2020 revealed. The case area was selected because the intention and hope as it is possible to show the role of internal audit on tax compliance and its challenges towards its function in the organization through in which large amount of taxes are being collected branches.

In the determination of population the managers were selected because of their role, experience, knowledge and participation in strategic decision making and they have direct interaction with the result of work of internal auditors. While internal auditors were selected because of the real perception towards the role and challenges of internal audit in detecting the operational problems to add the government revenues sourced from tax. The internal auditors are the most involved in the day to day activities of auditing facing prone and cons there.

To take sample of population, non-probability sampling was used for selecting the respondents. From non-probability sampling the study used judgment (purposive) sampling to select the managers. Finally 82 participants responded the questionnaires used and the rest 9 were not received out of sampled 90 population as Yemane (1967). It was calculated as follows:

$$n=N/1+N(e)^2$$

‘Where “n”=sample size

“N”=population size

“e”= margin of error(yamane,1967).

Table: 1 Sampling Calculation

Category	Target population	Sample size
Managers	147	72=(147/185*90)
Internal Audit officers	38	18=(38/185*90)
Total	185	90

### 3.4. Data types and Sources

The study used quantitative and qualitative data type collected through questionnaire and review. It used both primary (structured questionnaire) and secondary data collection methods in data gathering. The study used Materials in organization such as internal audit manual, publications and audit manuals besides past researches as secondary data sources. Tables and graphs are used to read out puts in data analyzed in SPSS.

### 3.5. Data Collection Tools

The data was collected through structured and semi-structured questionnaire. Then it was analyzed by using the Statistical Package for Social Scientists (SPSS 22), and the output has exported to summarize carefully in tables and graphs. The demographic profile of the

respondent, the role and various challenges of internal auditors were analyzed through a descriptive statistics showing frequency distribution, percentage and standard deviation. To make the interpretation more meaningful, clear and easily implacable and to provide results from analysis for conclusion, percentages and descriptive statistics were used rating the degree of responds against the variables as discussed in the following topic.

### **3.6. Data Analysis and Interpretation**

Here the data analyzed is primary data collected through close-ended questionnaire. The tool the study used is Statistical Package for Social Scientists (SPSS 22) to describe the characteristics of respondents and the rate of responses against each variable labeled to examine the role and challenge of internal audit using descriptive statistics. Demographic character of population such as Sex, Age, and work experience as an internal audit is categorized first. Secondly the range and order responses for variables was analyzed by “Strongly agree, Agree, Neutral, Strongly disagree, and Disagree” participation. In descriptive statistics, frequency counts and percentage mean and standard deviation were used to analyze various characteristics of the same respondents. In the next chapter we will see detailed data analysis and interpretation.

## CHAPTER FOUR

### 4. DATA ANALYSIS AND INTERPRETATION

#### 4.1. Introduction

The purpose of the study is to find the roles and challenges of internal audit in the course of activities kept by internal audit. Thus the study focused on different types of roles internal audit expected to function and challenges to failure happened in the organization. And the chapter incorporates data analysis classified by two main categories such as the respondents back grounds and their perception for questions delivered at the time of investigation. The software used in the analysis is SPSS (22) in which the output is described in the form of tables and graphs.

#### 4.2. Demography of the respondents

The respondents were both male and female numbered 16 internal auditors and 66 managers of 82 totals. Those are in different age group and qualified in Bachelor of Degree, Masters of Bachelor / Science Degree as we can see the tables and figures below.

##### 4.1.1 Gender, Age and Academic backgrounds

Table 2: Gender of Respondents

Gender	Frequency	Percent	Valid Percent	Cumulative Percent
Male	59	72.0	72.0	72.0
Female	23	28.0	28.0	100.0
<b>Total</b>	82	100.0	100.0	

*Source; Analysis of Survey data 2021, using SPSS*

Of 82 respondents 72% were male and 28% were female.

Table 3: Age group of Respondents

Age	Frequency	Percent	Valid Percent	Cumulative Percent
25-30	31	37.8	37.8	37.8
30-35	30	36.6	36.6	74.4
35-40	11	13.4	13.4	87.8
40-45	8	9.8	9.8	97.6
>45	2	2.4	2.4	100.0
<b>Total</b>	82	100.0	100.0	

*Source; Analysis of Survey data 2021, using SPSS*

36.6% of respondents are aged in the range of 30 to 35 years, 37.8% are from 25 to 30 years, 13.4% are from 35 to 40 years, from 40 to 45 years are 9.8 % and the rest 2.4% are above 45 years old.

Table 4: Respondents qualification

Qualification	Frequency	Percent	Valid Percent	Cumulative Percent
Bachelor Degree	60	73.2	73.2	73.2
Master Degree	22	26.8	26.8	100.0
<b>Total</b>	82	100.0	100.0	

*Source; Analysis of Survey data 2021, using SPSS*

All respondents above are with Diploma and under Doctorate of Philosophy (Phd) in academic qualification.



Source; Analysis of Survey data 2021, using SPSS

Fig 2.

60(73.2%) of respondents have qualification of Bachelor Degree and 22 were with Master Degree academic qualification.

Table 5: Experience in Internal Audit

Experience	Frequency	Percent	Valid Percent	Cumulative Percent
Less than 3 years	12	14.6	24.0	24.0
3-5 years	27	32.9	54.0	78.0
5-10 years	7	8.5	14.0	92.0
>10 years	4	4.9	8.0	100.0
Total	50	61.0	100.0	
Missing System	32	39.0		
<b>Total</b>	<b>82</b>	<b>100.0</b>		

Source; Analysis of Survey data 2021, using SPSS

14% of the respondents had been in internal audit service 3 years and below while 32.9 % had served including managers before a position they have at the time being questioned. The other 8.5% and 4.9% has 5 to 10 years and above 10 year service as internal auditors respectively.

Table 6: Participants Professions

Profession	Frequency	Percent	Valid Percent	Cumulative Percent
Accounting	50	61.0	69.4	69.4
Economics	7	8.5	9.7	79.2
Management	15	18.3	20.8	100.0
Total	72	87.8	100.0	
Missing System	10	12.2		
<b>Total</b>	82	100.0		

Source; Analysis of Survey data 2021, using SPSS

Out of 82 respondents 61% (50) are accountants which are in related profession. Others are Economic and Management in their academic background which is 8.5% and 18.3% respectively. No one has other international professional certificate from questioned choices ACCA, CPA and CIA. This shows the limitation to function internal audit more than what is going on practicing international frames.

### 4.3. Descriptive Statistics

Descriptive statistics is a good means in analyzing research data because; it makes the data to be reliable and the result predictable. It mainly uses to know the average range of responses to the variables independently. Hence here we will see the results of descriptive analysis of data and its interpretation. The responses are rated from the “Strongly Agree” (1) to “Disagree (5)”

According to Kajuju (2012), the scores of strongly agree /agree have been taken to present a variable that had a mean score of 3.5 to 5 on the continuous Likert scale; ( $3.5 \leq S.E < 5$ ). The scores of ‘average’ have been taken to represent a variable with a mean score of 2.5 to 3.4 on the continuous Likert scale; ( $2.5 \leq M.E < 3.4$ ). The score of strongly disagree/disagree has been taken to represent a variable that had a mean score of 0 to 2.5 on the continuous Likert scale; ( $0 \leq L.E < 2.5$ ).

#### 4.3.1. The Role of Internal Audit

Internal audit has a vital role on public sector. Economy and efficiency are the core assurances of internal audit. Safeguarding public assets is also part of it since aimed to use the assets wisely and efficiently keeping from theft and misuse. Assurance and consulting, adding value and improving, considering the whole organization, improve the effectiveness of risk management, control and governance processes are an interesting terms pointed to show the modern emphasis on its definition that an internal audit should incorporate in its function in a much broader view. Operational efficiency an significant element that accompanies the former idea through investigating the function of internal control whether core work processes are acting as intended beside putting reasonable assurance on financial statements are fairly presented (MOFED,2005). Accordingly in the table below there are issues that show the perception of respondents on the

role of internal audit. From the questions on the tables, more scores are recorded that implicate the unit is functioning well specially in other roles than examining incremental collection of tax for government revenue (efficiency), provide recommendations for improvements in those areas where opportunities and deficiencies are identified; including Tax Audit, provide assurance to management and the audit committee that internal controls are effective and working as intended and so on. Let us follow the table and its interpretations below.

## Response

Table 7: Responses on roles of internal audit in the organization

Statements	Response											
	Strongly Agree		Agree		Neutral		Strongly disagree		Disagree		Descriptive Statistics	
	Fre.	%	Fre.	%	Fre.	%	Fre.	%	Fre.	%	Mean	Std. Deviation
Assessing and promoting the adequacy of corporate governance	7	8.5	65	79.3	4	4.9	-	-	6	7.3	2.18	.877
Examining and assessing organization policies, procedures, manuals and recommending best practices.	53	64.6	17	20.7	6	7.3	-	-	6	7.3	1.65	1.126
Testing proper recording of assets, expenditure and the reliability of financial information.	44	53.7	33	40.3	1	1.2	1	1.2	3	3.7	1.61	.885
Examining use of organization resources (economy)	31	37.8	18	22.0	28	34.1	-	-	-	-	1.96	.880
Examining incremental collection of tax for government revenue (efficiency)	5	6.1	7	8.5	8	9.8	2	2.4	60	73.2	4.28	1.289
Evaluating the design and effectiveness of internal controls	23	28.0	24	29.3	14	17.1	19	23.2	1	1.12	2.64	1.544
Provide recommendations for improvements in those areas where opportunities and deficiencies are identified; including Tax Audit	4	4.49	11	13.4	10	12.2	3	3.7	53	64.6	4.11	1.332

Provide assurance to management and the audit committee that internal controls are effective and working as intended	8	9.8	9	11.0	5	6.1	5	6.1	54	65.9	4.09	1.442
Testing of the reliability and timeliness of the regulatory reporting	13	15.9	44	53.7	18	22.0	1	1.2	5	6.1	2.27	.962
Appraisal of the economy and efficiency of the operations	5	6.1	13	15.9	13	15.9	4	4.9	45	54.9	3.89	1.396
Undertaking fraud and investigation activities	7	8.5	6	7.3	5	6.1	13	15.9	51	62.2	4.16	1.319
Risk assessment and management	4	4.9	8	9.8	5	6.1	6	7.3	57	69.5	4.30	1.247
Evaluation of projects and programs accomplishments	17	20.7	32	39.0	7	8.5	15	18.3	1	1.12	2.54	1.472
Checking budgetary implementation	26	31.7	39	47.6	3	3.7	-	-	14	17.1	2.23	1.364

*Source; Analysis of Survey data 2021, using SPSS*

From the table 7 above, under ‘Assessing and promoting the adequacy of corporate governance and Examining and assessing organization policies, procedures, manuals and recommending best practices’ have a score of 2.18 and 1.65 (strongly agree/ agree 87.8% and 85.3%, neutral 12.2 and % and disagree 14.6%) and 3.76 respectively. This indicates majority of respondents agreed as internal audit has a role in assessing and promoting the adequacy of corporate governance and examining and assessing organization policies, procedures, manuals and recommending best practices. In addition, the unit has a role in testing proper recording of assets, expenditure and the reliability of financial information, testing of the reliability and timeliness of the regulatory reporting and Checking budgetary implementation 1.61, 2.27 and 2.23 (strongly agree/ agree 94%, 69.6% and 79.3%, neutral 1.2, 1.2 and 0% and strongly disagree/ disagree 4.9% 7.3% and 17.1%) respectively, is also agreed with high score. The other variables-examining use of organization resources (economy), evaluating the design and effectiveness of internal controls and evaluation of projects and programs accomplishments are with the score 1.96, 2.64 and 2.54 (strongly agree/ agree 59.8%, 57.3% and 59.7% neutral 34.1%, 17.1% and 8.5% and strongly disagree/ disagree 0%, 24.32%, and 19.42%) respectively, which is the least score.

On the other hand, number of respondents is disagreed with the variables such as examining incremental collection of tax for government revenue (efficiency), provide recommendations for improvements in those areas where opportunities and deficiencies are identified; including Tax Audit and provide assurance to management and the audit committee that internal controls are effective and working as intended 4.28, 4.11 and 4.09 (strongly agree/ agree 14.6%, 17.89% and 20.8% neutral 9.8%, 12.2% and 6.1 and strongly disagree/ disagree 75.6%,68.3% and 71.69%) respectively. And the last three variables, appraisal of the economy and efficiency of the operations, undertaking fraud and investigation activities and risk assessment and management 3.89,4.16 and 4.30 (strongly agree/ agree 22%, 15.8% and 14.7%, neutral 15.9%, 6.1% and 6.1% and strongly disagree/ disagree 59.8%,

78.1% and 76.8%) respectively, have simultaneously high score to which majority of participants disagreed. This implies that internal audit has no expected role in examining core work process control functions (operational activities efficiency) and risk assessment processes and risk managements to recommend on and give respective advice to management.

### 4.3.2. Audit Planning and Implementation

In the table below the data found the degree how the respondents agreed or not agreed about the existence of audit plan and whether is applied or not. This particular Assurance Implementation Standard deals with the linkage of the audit plan to risk and exposures. The Public Body’s risk strategy (if there is any) should be reflected in the design of internal audit activity’s plan. It is important that a coordinated approach should be applied to leverage synergies between the organization’s risk management and the internal audit process. Internal auditors in Public Bodies should also advise their organizations to develop risk management and internal audit process. Internal auditors in Public Bodies should also advise their organizations to develop risk management strategies where they do not exist. The internal audit unit’s audit plan should be designed based on an assessment of risk and exposures that may affect the Public Body. Ultimately, the audit objective is to provide management with information to mitigate the negative effects associated with accomplishing the Public Body’s objectives. (MoFED, 2005)

#### Responses

Table 8: Planning and Implementation

Statements	Response											
	Strongly Agree		Agree		Neutral		Strongly disagree		Disagree		Descriptive Statistics	
	Fre.	%	Fre.	%	Fre.	%	Fre.	%	Fre.	%	Mean	Std. Dev.
Strategic audit plan is well prepared in our organization	20	24.4	26	31.7	11	13.4	4	4.9	21	25.6	2.76	1.528
Strategic audit plan is implemented properly in our organization	11	13.4	25	30.5	33	40.2	4	4.9	9	11.0	2.70	1.119
From the strategic audit plan annual audit plan is prepared.	9	11.0	55	67.1	14	17.1	4	4.9	-	-	2.16	.675
The annual audit plan prepared is well implemented in our organization.	3	3.7	42	51.2	26	31.7	4	4.9	5	6.1	2.57	.897
Detailed Audit program is prepared.	2	2.4	59	72.0	6	7.3	9	11.0	6	7.3	2.49	.984
Limited resources in the department	9	11.0	23	28.0	11	13.4	7	8.5	31	37.8	3.35	1.501

Source; Analysis of Survey data 2021, using SPSS

Shown in Table: 8 above, in the statement ‘Strategic audit plan is well prepared and from the strategic audit plan Annual audit plan is prepared and detailed Audit program is prepared.’ scored of

2.76, 2.16, and 2.49 (strongly agree/ agree 56.1%, 78.1% and 74.4%, neutral 13.4% ,17.1%, and and strongly disagree/ disagree 30.5%, 4.9% and 18.3%.) respectively. This indicates majority of respondents agreed with prepared strategic plan and audit plan. In addition strategic audit plan is implemented properly in the organization and the annual audit plan prepared is well implemented in the organization and has a score (strongly agree/ agree 43.9% and 54.9%), neutral 40.2% and 31.7%) and strongly disagree/ disagree 15.9% and 11.0%) respectively. Finally, limited resources in the department has a score 3.35 (strongly agree/ agree 39.0%, neutral 13.4% and strongly disagree/ disagree 46.3%) respectively. This indicates majority of respondents agreed with prepared strategic plan and audit plan as well as is well implemented in the organization.

### 4.3.3. Independence of Internal Audit

Independency is an important issue in auditing in which auditors can act freely in overall audit activity to provide evidenced and wide range constructive advice that initiated from problems identified reliably. There is no independence of audit means that there is no confidence on the audit procedure and finally the audit quality became under question. Hence to add the credibility of the audit report on the users view, independency should be maintained.

#### Response

Constructed on the following statements described for the title independence of internal audit (in performing audit activities), majority of participants reflected as there is dependency of Internal Audit.

Table 9: Internal Audit Independency

Statements	Response												
	Strongly Agree		Agree		Neutral		Strongly disagree		Disagree		Descriptive Statistics		
	Fre.	%	Fre.	%	Fre.	%	Fre.	%	Fre.	%	Mean	Std. Dev.	
<b>Independence of Internal Audit</b>													
Internal auditors have unrestricted access to all departments and employees in the organization.	8	9.8	15	18.3	3	3.7	8	9.8	48	58.5	3.89	1.499	
All internal audit members feel free to include any audit finding in their audit work and report directly to the responsible body	5	6.1	17	20.7	3	3.7	11	13.4	46	56.1	3.93	1.412	

Internal audit can freely access any necessary documents, information and data about the process under investigation and hence always acknowledged	6	7.3	7	8.5	6	7.3	13	15.9	47	57.3	4.11	1.311
Internal auditors are independent of management influence in exercising auditing-related decision.	3	3.7	6	7.3	3	3.7	17	20.7	53	64.6	4.35	1.093
Implementing the new International Professional Practices Framework (IPPF).	3	3.7	6	7.3	14	17.1	57	69.5			4.56	.793
Management's reluctance to implement suggested recommendations on noted weaknesses on a timely basis	2	2.4	61	74.4	2	2.4	5	6.1	10	12.2	2.50	1.091
Limiting a focus to prevent and detect fraud	2	2.4	20	24.4	6	7.3	13	15.9	38	46.3	3.82	1.337
Only checking budgetary implementation	6	7.3	16	19.5	9	11.0	24	29.3	25	30.5	3.57	1.320

Source; Analysis of Survey data 2021, using SPSS

As shown in table: 9 above the result on internal audit independency, internal auditors have unrestricted access to all departments and employees in the organization mean score 3.89 (strongly disagree/disagree 28.1%, neutral 3.7% and strongly agree/ agree 68.3%), All internal audit members feel free to any audit finding in their audit work and report directly to the responsible body score 3.93 (strongly agree/ agree 26.8%, neutral 3.7% and strongly disagree/disagree 69.5%), it can freely access any necessary documents, information and data about the process under investigation and hence always acknowledged score 4.11 (strongly agree/ agree 15.8%, neutral 7.3% and strongly disagree/disagree 73.2% and 24.2%). And internal auditors are independent of management influence in exercising auditing-related decision core 4.35 (strongly agree/ agree 11%, neutral 3.7% and strongly disagree/disagree 85.3%). Implementing the new International Professional Practices Framework (IPPF) has score 4.5.6 (strongly agree/ agree 11%, neutral 7.3% and strongly disagree 86.6%), Management's reluctance to implement suggested recommendations on noted weaknesses on a timely basis has a mean 2.50 (strongly agree/ agree 76.8%, neutral 2.4% and strongly disagree /disagree 18.3%). Finally, limiting a focus to prevent and detect fraud has 3.82 mean score and percentages (strongly agree/ agree 26.8 neutral 7.3% and strongly disagree /disagree 62.2%) and only checking budgetary implementation has mean 3.57 (strongly agree/ agree 26.8 neutral 11.0% and

strongly disagree /disagree 59.8%). Therefore high number of respondents disagreed on all variables indicate independency of Internal audit thus implies there is an independency problem in the organization.

#### **4.3.4. Competency of Internal Auditors**

These skills include critical thinking, analytic reasoning, problem-solving, and communicating, both in vocational and educational domains (polymechanics skills) and generic skills such as critical thinking that transfer across specific domains. The demand goes beyond simply knowing and includes applying knowledge to everyday problems and tasks. That is, the demand is for both knowing and being able to use that knowledge at work, in higher education, and in the context of individual and civil engagement with everyday activities and decisions (J. Shavelson, 2010). On the same way public institutions in Ethiopi uses Business Score Card (BSC) to measure their employees when applying Business Process re-engineering (BPR).

According to Internal Audit Manual of Ministry of Finance and Development (MoFED, 2005), Internal auditors should possess the knowledge, skills, and other competencies needed to perform their individual responsibilities. The internal audit organization collectively should possess or obtain the knowledge, skills, and other competencies needed to perform its responsibilities. Internal auditors of Public Bodies should individually possess certain knowledge, skills, and other competencies. Hence the respondents in their employment back ground are fulfilled their minimum requirements and their performance is being measured according to BSC annually to proof their ability to possess their audit responsibilities as was observed from human resource departments to confirm the demographic response.

#### **Response**

As shown in the table below the auditors have no a competency matter. The minimum level of skill, knowledge and experience required by internal auditor and the Head of Internal Audit is not fulfilled has a mean score 3.68 (strongly agree/ agree 34.2 neutral 3.7% and strongly disagree /disagree 57.3%), Internal auditors do not have full competency in skill& knowledge in evaluating audit evidence scored 3.68 (strongly agree/ agree 26.9% neutral 12.2% and strongly disagree /disagree 60.9%) and Internal auditors possess adequate experience in carrying out audit process has a score 3.27 (strongly agree/ agree 40.2% neutral 12.2% and strongly disagree /disagree 39.0%). This implies that rather the experience in carrying out audit process, internal auditors lack skill, knowledge and experience to detect existing errors, misstatements and frauds in the organization.

Table 10: Responses on Internal Auditors Competency

Statements	Response											
	Strongly Agree		Agree		Neutral		Strongly disagree		Disagree		Descriptive Statistics	
	Fre.	%	Fre.	%	Fre.	%	Fre.	%	Fre.	%	Mean	Std. Dev.
The minimum level of skill, knowledge and experience required by internal auditor and the Head of Internal Audit is not fulfilled.	4	4.9	24	29.3	3	3.7	9	11.0	38	46.3	3.68	1.464
Internal auditors do not have full competency in skill& knowledge in evaluating audit evidence	8	9.8	14	17.1	10	12.2	2	2.4	48	58.5	3.83	1.506
Internal auditors possess adequate experience in carrying out audit process	2	2.4	31	37.8	17	20.7	7	8.5	25	30.5	3.27	1.315

Source; Analysis of Survey data 2021, using SPSS

#### 4.3.5. Working Environment and Job Satisfaction

Usually public bodies are not as such flexible to motivate their employees due to regulation and rules that entails benefits and other fringe benefits for the better performance. Motivation is a way to handle the auditors to stable them and initiated to do to meet the objective of the organization. The response of employees about the motivational practices in the organization under study seems no benefit given for unique contribution and participating travel opportunities to conferences, audit work, training. The management action on auditors' recommendation is not as such interesting. Ministry of revenue has a trend on giving rewards for staffs by identifying the tax auditor who commit good and covered the annual or semi-annual taxpayer file auditing and other staffs. And internal auditors are trended on different types of training most of the times prepared by Ministry of Finance and the Head Office auditors supervise and conduct an audit support on branches. This will encourage internal auditors to actively commit their duties.

As the result shows in the table below under statement there is special benefit given for unique contribution in your institution measured (agree 11.0% neutral 19.5% and strongly disagree /disagree 69.6%), There are participating travel opportunities to conferences, audit work, training etc. (agree 9.8% neutral 14.6% and strongly disagree /disagree 75.6%) and Internal auditor's recommendations are recognized and acted on by management (disagree/agree 23.2% neutral 17.1% and strongly disagree /disagree 59.7%). All indicate no attractive working environment.

## Response

Table 11: Working atmosphere of Internal Audit

Statements	Response											
	Strongly Agree		Agree		Neutral		Strongly Disagree		Disagree		Descriptive Statistics	
<b>Working atmosphere (Job satisfaction of Internal Audit)</b>	Fre.	%	Fre.	%	Fre.	%	Fre.	%	Fre.	%	Mean	Std. Dev.
There is special benefit given for unique contribution in your institution.	-	-	9	11.0	16	19.5	8	9.8	49	59.8	4.18	1.101
There are participating travel opportunities to conferences, audit work ,training etc.	-	-	8	9.8	12	14.6	9	11.0	53	64.6	4.30	1.050
Internal auditor's recommendations are recognized and acted on by management.	1	1.2	18	22.0	14	17.1	17	20.7	32	39.0	3.74	1.225

*Source; Analysis of Survey data 2021, using SPSS*

### 4.3.6. Related Challenges and Management Perception of Internal Auditors

In the table 12 below there are statements show the possible challenges prevail in the organization. Majority of respondents answered as there are challenges related with independency of internal audit stated as lack of management support and training. And they view the management perception as internal audit is fault finder.

## Response

Table 12: Related challenges and management perception

Statements	Responses					
	Yes		No		Descriptive Statistics	
	Fre.	%	Fre.	%	Mean	St.Dev.
<b>Challenges of Internal audit</b>						
Basic problem is staff shortage	36	44	45	55.6	.44	.500
Basic problem is no staff cooperation	28	34.6	53	65.4	.35	.479
Basic problem is no management support	58	71.6	23	28.4	.72	.454
Basic problem is lack of awareness and training	61	75.3	20	24.7	.75	.434
Basic problem is lack of communication	18	22.2	63	77.8	.22	.418
Basic problem is lack of team work	1	1.3	74	98.7	.01	.115
Problem is specified						
Do you think independence is a basic issue today in your organization in performing audit engagement?	45	57.0	34	43.0	.57	.498
Do you think that internal auditors of your organizations are fully competent enough to deliver the assurance and consulting service in your organization?	47	57.3	35	42.7	.57	.498
Do you think high rate of turnover is the basic problem of internal auditors in your organization?	30	36.6	52	63.4	.37	.485
Management perceives as fault finder	51	64.6	28	35.4	.65	.481
Management perceives as a visionaries / future oriented/	16	20.5	62	79.5	.21	.406
Management perceives as can add values to the organization	15	19.2	63	80.8	.19	.397
Management perceives as a preventive unit before problems has happened	30	39.0	47	61.0	.39	.491
Management perception is specified						
Valid N (list wise)						

Source; Analysis of Survey data 2021, using SPSS

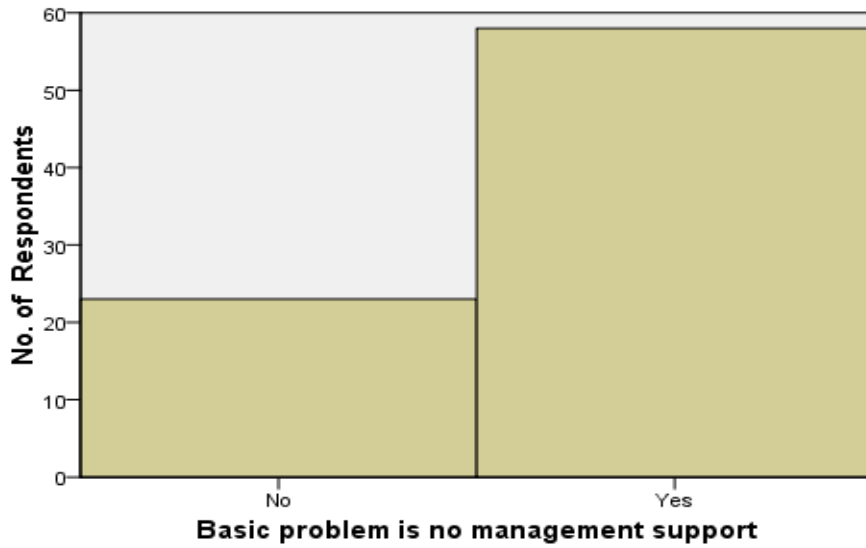


Fig.3

Source; Analysis of Survey data 2021, using SPSS

58(71.6%) respondents say “Yes” for the statement ‘management support is basic problem in above graph.’

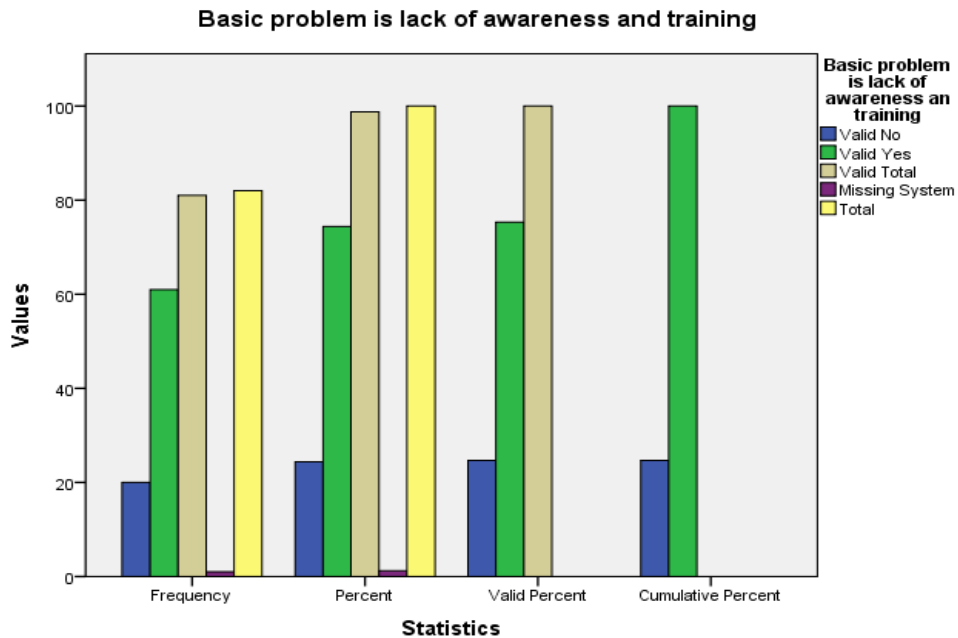


Fig.4

Source; Analysis of Survey data 2021, using SPSS

61(75.3%) respondents say “Yes” for the statement ‘the basic problem is lack of awareness and training’ in above graph.

#### 4.4. Reliability analysis

To test the reliability and validity of the questioner one of the common methods to test the reliability and validity of data collected through questionnaire is use of Cronbach's alpha coefficient. Reliability as an attribute of an instrument used to measure consistency. Consistency indicates that an instrument has constructive value it used to measure. A commonly accepted rule of thumb for describing internal consistency using Cronbach's alpha presents is as follows. Cronbach's alpha Internal consistency  $\alpha \geq 0.9$  Excellent,  $0.8 \leq \alpha < 0.9$  Good,  $0.7 \leq \alpha < 0.8$  Acceptable,  $0.6 \leq \alpha < 0.7$  Questionable,  $0.5 \leq \alpha < 0.6$  Poor and  $\alpha < 0.5$  Unacceptable. To ensure internal consistency among the items included in each of the scales, Cronbach's coefficient alpha is estimated. Higher Alpha coefficients indicate higher scale reliability. As George & Mallery (2003) suggested that scales with 0.60 Alpha coefficients and above are considered acceptable.

The Cronbach's alpha for data collected for the current practice and challenges of internal auditors in performing audit activates (planning, evaluation, reporting, follow-up result, Planning, independency, competency and job satisfaction) is 0.698 (69.8%) percent acceptable.

Table 13: Reliability Testing

Cronbach's Alpha	No. of Items
698	20

*Source; Analysis of Survey data 2021, using SPSS*

Based on the above Table 12, the overall value for Cronbach's Alpha ( $\alpha$ ) coefficient for expected scale item of this study shows that 0.698 for all variables, which is greater than 0.60. Therefore, the responses generated from all variables in this study were very acceptable (reliable) for data analysis.

Table 14: Total Item Statistics

Variables	Number of Items	Cronbach's Alpha coefficient for variables
Planning	6	.874
Independency	8	.998
Planning	3	.680
Job Satisfaction	3	.243
	20	

*Source; Analysis of Survey data 2021, using SPSS*

To test the reliability of each variable, SPSS software was used and the results presented. As shown in Table 4.4.2, for the reliability test Cronbach's alpha coefficients for the internal audit practice and challenges the range from 0.243 to 0.998 the study reliability of data is acceptable.

#### **4.4.1.Document Analysis**

Documents reviewed externally are the detail sources than the same in the study organization. It was too difficult to observe the documents in relation to internal audit in the organization other than internal audit manual, audit reports and human resource records.

Furthermore, the study used document analysis to find further information in addition to questionnaires. In the reviewed data MOR has been training fresh tax auditors and other tax operation staffs until 2017 rather than internal auditors. But recently there is no fresh employees or refreshment training and also MOF, MOR, and other public body has not amended the long lived internal audit training manual (2005) based on current rule, regulation and proclamation and no any supporting documents indicate for internal audit activities development and respective implementation of training.

As shown in the response (Table 8) of questioner MOR internal audit directorate report review annual audit plan and quarterly and annual report of financial audit in branches as the evidence of document review.

Like many scholars Odowa, (2015), exposed that internal audit in public sector is not free from intervention in performing it duties and internal auditors are not feel free to include any finding in to their audit report , lack of periodical internal audit assignment rotation , lack of budget to carry out beyond financial and compliance audits, no possess knowledge & skills in a variety of areas beyond accounting & finance as necessary, internal auditors do not carry out continuous professional development activities, the scope of the internal audit function did not yet go far to cover scope of internal audit and much time is consumed in performing financial and compliance audits, absence of risk assessment in audit planning and internal audit plan is not based on organizational risk profile factors are serious factors influencing effectiveness.

As Shown in table :10 above the respondents in their employment back ground are fulfilled their minimum requirements and their performance is being measured according to BSC annually to proof their ability to possess their audit responsibilities as was observed from human resource departments to confirm the demographic response.

Public organization take corrective action more focused on financial recording error and budget expenditures and on time banking of collected revenue than tax collection processes, as of annual audit reports.

MOR internal audit directorate filed work supervision for internal auditors follow up list shows that there is no continuous follow-up and to minimize lack of performance audit activities. As my experience internal auditors it needs to periodic supervision and support any professional problem and to improve the internal audit performance.

The internal audit manual in addition to other studies articulated that Internal audit should fulfill its duty by systematic review and evaluation of risk management, control and governance which comprises the policies, procedures and operations in place to: Establish, and monitor the achievement of the public body's objectives; Identify, assess and manage the risks in achieving the public body's objectives; Ensure the economical, effective and efficient use of resources; Ensure compliance with established policies (including behavioral and ethical expectations), procedures, laws and regulations; Safeguard the public body's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption; Ensure the integrity and reliability of information, accounts and data, including internal and external reporting and accountability processes (MoFED, 2003).

More of the internal audit findings are limited on purchasing on procurement like proforma purchasing method, one supplier direct purchasing method without bidding process and circular. They are ignoring the core working process efficiency. These are an important issues and the responsible body more focused on tax collection core process owner activities. Tax rules and regulations have to be checked and assured if are well implemented and safeguarded by the controls should have an attention buy responsible body.

#### **4.5. The Internal Audit and its activity Observed**

From document review and observation the study recognized that, internal audit plays essential role in assessing proper utilization of government spending budget. In revenues sector federal revenue offices are expected to be using current audit standards and modern definition of internal audit in their organizational need and objectives and new technologies for operational advancement like e-filing and e-payment system to ease the service and increase self- declaration of tax payers. They need to adjust their audit work to the new techniques in which government operates and align their audit methods and standards accordingly. Many government organizations face common challenges, based on similar research in economic sector Sintayehu k, (2010). The habit of internal auditors learning one another have a great value. And no more focus has been seen on organization on minimizing the challenges. MOR and other responsible body cooperate with various audit institutions found in and out of the country in the advancement of internal audit work.

## CHAPTER FIVE

### 5. CNCLUSION AND RECOMMENDATIONS

#### 5.1. Conclusion

According to the result shown in the above data analysis, internal audit has a role in assessing and promoting the adequacy of corporate governance and in examining and assessing organization policies, procedures, manuals and recommending best practices. It also tests proper recording of assets, expenditure and the reliability of financial information and check budgetary implementations and projects. Indeed, a strategic audit plan is well prepared in the organization and well performed annually.

While due to the influence of management and the lack of support of the same, internal audit has a limited role on assuring internal controls function mainly related with core activities in the organization. Since tax collection is the main operation, related work areas such as tax collection departments, tax audit, risk management were likely not assured by internal audit whether are operating as intended to achieve the organization's goal. The reasons shown on the analysis as challenges are indicated by majority respondents. An internal audit is not independent from management influence to increase audit scope by freely adding any findings accompanied by sufficient and appropriate evidences. And the management has no support in certain responsibilities like acting on the recommendations provided by the unit. Other supports like updating the knowledge and experiences as well as skills by training international audit frameworks, tax issues, tax frauds, tax laws and regulations soon are not practiced.

Internal audit seems limited in its scope in the investigation of core areas of tax collection departments which needs further independent study. The important work processes are not recommended in the audit scope to disclose their limitation on the effective performance or the strengths if considered well. It shows that an internal audit has insignificant measure for the organization goal achievement which can be realized through improved activities of internal controls and operational efficiency. Indeed the quality of tax audit and related departments which can increase tax payers' compliance by liaisons from audit findings are not assured either followed or not.

Generally the investigation results that an internal audit has no important role on the assurance of efficiency of operational activities in the organization.

#### 5.2. Recommendations

According to the conclusion and findings, the study recommends mainly the management have to give an emphasis on the building up of internal audit. They have to maintaining the strengths in internal audit strategic planning and its implementations. The economy and safeguarding of assets is to be kept on the routine activity.

On the other hand, they are suggested to understand that internal audit has a vital role on achieving the organization goal through the recommendation and advice of the internal audit in many aspects. No need to be reluctant to support the unit.

It is better to maintain the independency of internal audit since there is the structure allowed to be functioned. The auditors have to be filled the gap they have to perform regular audit activities.

As there is an audit strategic plan, the implementation needs free and attractive working environment that makes auditors interested on the jobs they doing and future oriented. Training, benefits, incentives and special gifts related to good performance is motive actions for employees.

Internal auditors have to be aware of their vital roles on the succession of the tax collection activities by their routine assurance and advice. The whole organizational activities have to be under the review of internal audit since the whole control stretched and its function have to be proved as is in the way planned. Tax frauds and understatements through evasion and avoidance have to be detected through proper risk assessments and management. So it needs detail investigation by tax audit selected by tax risk assessments and management. The internal audit is suggested to assure the relevancy of the criteria being used in tax risk assessments and their application. Simultaneously, tax audit quality assurance need internal audit support and assurance if is maintained as well as the way is conducted.

Internal auditors in public body are not limited to focus on safeguarding assets and budget implementation. They have to add value on the better organizational achievements cumulated from each appraisal activities. They have to advice a management how to focus and work to reach at ultimate goal which is compliance of tax payer.

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# ANNEXES

**Addis Ababa University**  
**College of Business and Economics**  
**Department of Accounting and Finance**  
**Questionnaire**

**Introduction**

Dear respondents this questionnaire is made to collect data on roles and challenges of internal audit in Ethiopian Ministry of revenues. The data to be collected through the questionnaire is highly important to meet the objectives of this study. Therefore, you are kindly requested to fill in and return the questionnaire. The information you supply would be used for academic purpose only and will be kept confidential.

**Researcher address:**

Name: Terefe Messele: Mobile: 0922856607 Email: terefmgm2007@gmail.com. A. A/Ethiopia

**PART A: DEMOGRAPHICS**

Kindly answer the following questions by ticking (✓) against your preferred choice (s).

1. Department where you are working: \_\_\_\_\_

2. Job position you are assigned for: \_\_\_\_\_

3. Your:

a. Gender: Male  Female

b. Age (in Years): Less than 25  26 – 30  31 – 35  36 – 40  41 – 45   
above 45

c. Qualification: Diploma  Bachelor Degree  Master Degree

d. Profession: Accounting  Economics  Management   
Statistics  Other (Specify): \_\_\_\_\_

5. Do you have a Professional Certification? Yes No

6. If your answer to Q5 is “Yes”, what is it? (More than one answer is possible)

a. ACCA  c. CIA

b. CPA

d. Other, (specify) \_\_\_\_\_

7. Work experience as internal auditor (in years)

a. Less than 3

c. 6 – 10

b. 3 – 5

d. More than 10

**Part B: ROLES OF INTERNAL AUDITORS**

What are your views on the following statements regarding the roles of internal auditors? (Please, answer the following questions by ticking (√) against your choice)

	Strongly Agree	Agree	Neutral	Strongly Disagree	Dis Agree	Neutral
a) Assessing and promoting the adequacy of corporate governance						
b) Examining and assessing organization policies, procedures, manuals and recommending best practices.						
c) Testing proper recording of assets, expenditure and the reliability of financial information.						
d) Examining use of organization resources (economy)						
e) Examining incremental collection of tax for government revenue (efficiency)						
f) Evaluating the design and effectiveness of internal controls						
g) Provide recommendations for improvements in those areas where opportunities and deficiencies are identified; including Tax Audit						
h) Provide assurance to management and the audit committee that internal controls are effective and working as intended						
i) Testing of the reliability and timeliness of the regulatory reporting						
j) Appraisal of the economy and efficiency of the operations						
k) Undertaking fraud and investigation activities						
l) Risk assessment and management						

m)Evaluation of projects and programs accomplishments						
n) Checking budgetary implementation						
Please list if any other(On tax collection is preferable)	..... ..... ..... ..... .....					

**Part C: CHALLENGES FACED BY INTERNAL AUDITORS IN CARRYING OUT THEIR ROLES**

1. Based on your daily operations, please rate the following challenges faced by internal auditors when carrying out their roles. *(Please, answer the following questions by ticking (√) against your choice)*

	<b>Strongly Agree</b>	<b>Agree</b>	<b>Neutral</b>	<b>Strongly Disagree</b>	<b>Dis Agree</b>	<b>Neutra l</b>
<b>A. Audit planning</b>						
a) Strategic audit plan is well prepared in our organization						
b) Strategic audit plan is implemented properly in our organization						
c) From the strategic audit plan Annual audit plan is prepared.						
d) The annual audit plan prepared is well implemented in our organization.						
e) Detailed Audit program is prepared.						
f) Limited resources in the department						
<b>B. Independence of IA</b>	<b>Strongly Agree</b>	<b>Agree</b>	<b>Neutral</b>	<b>Strongly Disagree</b>	<b>Dis Agree</b>	<b>Neutra l</b>
g) Internal auditors have unrestricted access to all departments and employees in the organization.						
h) All internal audit members feel free to include any audit finding in their audit work and report directly to the responsible body						
i)Internal audit can freely access any necessary						

documents, information and data about the process under investigation and hence always acknowledged						
j) Internal auditors are independent of management influence in exercising auditing-related decision.						
k) Implementing the new International Professional Practices Framework (IPPF).						
l) Management's reluctance to implement suggested recommendations on noted weaknesses on a timely basis						
m) Limiting a focus to prevent and detect fraud						
n) Only checking budgetary implementation						
<b>C. Competency of IA</b>	<b>Strongly Agree</b>	<b>Agree</b>	<b>Neutral</b>	<b>Strongly Disagree</b>	<b>Dis Agree</b>	<b>Neutra l</b>
o) The minimum level of skill, knowledge and experience required by internal auditor and the Head of Internal Audit is not fulfilled.						
p) Internal auditors do not have full competency in skill& knowledge in evaluating audit evidence						
q) Internal auditors possess adequate experience in carrying out audit process						
<b>D. Working atmosphere (Job satisfaction of IA)</b>	<b>Strongly Agree</b>	<b>Agree</b>	<b>Neutral</b>	<b>Strongly Disagree</b>	<b>Dis Agree</b>	<b>Neutra l</b>
r) There is special benefit given for unique contribution in your institution.						
s) There are participating travel opportunities to conferences, audit work ,training etc.						
t) Internal auditor's recommendations are recognized and acted on by management.						

## 2. Miscellaneous Questions

**Circle your choice /your choice may be more than one/ and you can use Amharic language if you want fill the blank space.**

1. Being an internal auditor, what are the basic problems you faced in your organization? (you can answer multiple answers)

- A. Staff shortage,
- B. Accounts Staff is not cooperative,
- C. Management is not supportive,
- D. Lack of awareness and training.
- E. Lack of communication skill
- F. Lack of team work

Specify if any further challenges (in tax collection assurance is preferable)

---

2. Do you think independence is a basic issue today in your organization in performing audit engagement?

A. Yes B. No

If your answer is „yes“ specify the basic challenges facing internal audit regarding independence

---

3. Do you think that internal auditors of your organizations are fully competent enough to deliver the assurance and consulting service in your organization?

A. Yes B. No

If your answer is "No" mention the reason for their in competencies

---

4. Do you think High rate of turnover is the basic problem of internal auditors in your organization?

A. yes B. No

If your answer is “Yes” what is the reason for lack of internal auditor’s job satisfaction?

---

5. How top management perceives internal auditors in your organization? (Multiple answers is possible)

A. As fault finders

B. As a visionaries / future oriented/

C. which can add values to the organization

D. As a preventive role before problems has happened.

Specify If any Others

---

6. In your experience what will you propose to have “strong, competent and independent” internal auditors in your organization in the future?

---

Thank you in advance,