



ASSESSMENT OF INTERNAL AUDIT PRACTICES IN THE CASE OF ABAY BANK SC.

BY
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DECLARATION

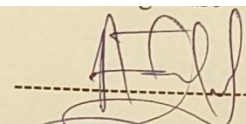
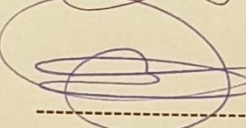
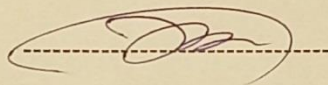
I, Ermias Mesfin , hereby announce that this research work entitled; “Assessment of Internal Audit Practice in the case of Abay bank SC: submitted by me for the award of the Master of in Accounting and Finance, is my original work and that all sources of materials used for the study have been properly acknowledged.

I also confirm that the thesis prepared, in the case of Abay bank SC, by taking Effectiveness and efficiency, compliance, competence, independence and management support as a yard- stick and on the same topic earlier has not been submitted either in part or in full to any other higher learning institution.

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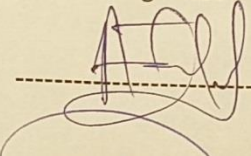
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ACRONYMS AND ABBREVIATIONS

IAF Internal Audit Functions

IAS Internal Auditing Standards

IA Internal Auditor/s

SAI Supreme Audit Institution

SPSS Statistical Packages for Social Scientists

Table of Contents

DECLARATION	II
APPROVAL	III
ACKNOWLEDGEMENTS	IV
ACRONYMS AND ABBREVIATIONS	V
CHAPTER ONE	14
1. INTRODUCTION	14
1.1. BACKGROUND OF THE STUDY	14
1.2. AUDITING HISTORY IN ETHIOPIA	16
1.3. ORGANIZATIONAL BACKGROUND.....	17
1.4. STATEMENT OF THE PROBLEM	18
1.5. GENERAL OBJECTIVE.....	19
1.6. SPECIFIC OBJECTIVE	19
1.7. SIGNIFICANCE OF THE STUDY	19
1.8. . SCOPE OF THE STUDY	20
1.9 ORGANIZATION OF STUDY.....	20
CHAPTER TWO	21
2. LITERATURE REVIEW	21
2.1. INTRODUCTION	21
2.2.1. AUDIT DEFINITION.....	21
2.2.2. FEATURES OF AUDITING.....	22
2.2.3. OBJECTIVES OF AUDITING	23
2.2.4. THE IMPORTANCE OF AUDITING	23
2.2.4.1. CREDIBILITY AND RELIABILITY	23
2.2.4.2. PREVENTING FRAUD	23
2.2.5. TYPES OF AUDIT.....	24
2.2.5.1. COMPLIANCE AUDIT	24
2.2.5.2. FINANCIAL AUDITS	24
2.2.5.3. INTERNAL FINANCIAL AUDIT.....	24
2.2.5.4. ENVIRONMENTAL AUDIT.....	24
2.2.5.5. TECHNOLOGY/IT AUDIT	25
2.2.5.6. PERFORMANCE AUDIT.....	25

2.2.5.7.	OPERATIONAL AUDIT	25
2.2.5.8.	SPECIAL INVESTIGATIONS	25
2.2.6.	TYPES OF AUDITORS	25
2.2.6.1.	<i>EXTERNAL</i> AUDITOR:	26
2.2.6.2.	INTERNAL AUDITOR.....	26
2.2.6.3.	FORENSIC AUDITOR	26
2.2.6.4.	TAX AUDITOR	26
2.2.7.	CODE OF ETHICS.....	27
2.2.8.	INTERNAL AUDIT	27
2.2.9.	THE MAIN OBJECTIVES OF AN INTERNAL AUDIT.....	28
2.2.9.1.	TO ANALYZE THE OPERATIONS	28
2.2.9.2.	TO REVIEW THE RISKS IDENTIFIED BY MANAGEMENT	28
2.2.9.3.	TO EVALUATE THE RISK MANAGEMENT ABILITY	28
2.2.9.4.	TO REVIEW CONTROLS.....	28
2.2.10.	THE SCOPE OF INTERNAL AUDIT	29
2.2.10.1.	REVIEW OF POLICIES AND PROCEDURES FOR COMPLIANCE	29
2.2.10.2.	VERIFY THE ACCURACY AND CONSISTENCY OF INFORMATION	29
2.2.10.3.	CONFIRM THE COMPANY RESOURCES HAVE BEEN PROPERLY USED	29
2.2.10.4.	CHECK IF THE COMPANY MET ITS OBJECTIVES	29
2.2.10.5.	VALIDATE IF THE ASSETS ARE WELL-PROTECTED	29
2.2.11.	AUDIT THEORIES	30
2.2.11.1.	THE POLICEMAN THEORY	30
2.2.11.2.	THE CREDIBILITY THEORY.....	31
2.2.11.3.	THE AGENCY THEORY	31
2.2.12.1.	AUDITORS COMPETENCY	32
2.2.12.3.	COMPLIANCE.....	32
2.2.12.4.	MANAGEMENT SUPPORT	33
2.5.	CONCEPTUAL FRAMEWORK	36
CHAPTER-THREE		37
3.	RESEARCH DESIGN	37
3.1.	INTRODUCTION	37
3.3.	Types and Sources of Data Collection.....	37

3.5.	METHODS OF DATA ANALYSIS	38
3.6.	MEASURES	38
3.6.1.	<i>DEPENDENT VARIABLE</i>	38
3.6.2.	INDEPENDENT VARIABLES	38
CHAPTER-FOUR		40
RESULTS AND DISCUSSION		40
4.1	RESPONSE RATE	40
4.2	REGARDING EFFECTIVENESS AND EFFICIENCY.....	44
4.4	REGARDING COMPETENCE	- 54 -
4.6	Regarding independence.....	- 74 -
4.7	REGARDING MANAGEMENT SUPPORT	- 83 -
4.	SUMMARY, CONCLUSIONS AND RECOMMENDATIONS	- 91 -
4.1.	SUMMARY OF MAJOR FINDINGS	- 91 -
4.1.1.	OUTCOMES THAT PERCEIVED FROM RESPONDENTS“ PROFILE.....	- 91 -
4.2.	CONCLUSIONS.....	- 92 -
4.3.	REGARDING VARIABLES.....	- 92 -

LIST OF TABLE

-Table 4.1 Gender of respondents	40
-Table 4.2 Ages of the respondents	41
-Table 4.3 Field of Study	41
-Table 4.4 Level of Education	42
-Table 4.5 Experience of Respondents	42
-Table 4.6 Position of Respondents	43
-Table 4.7 Descriptive Statistics for effectiveness and efficiency	44
-Table 4.7.1 the internal auditors provide service based on banks strategy and risk based audit plan	44
-Table 4.7.2 internal auditors have Professional competence, including the knowledge and experience which is vital to the effectiveness of the bank's internal audit task	45
-Table 4.7.3 the auditors have the capacity to collect and understand information, to examine and evaluate audit evidence and to communicate with the management of the internal audit function	46
-Table 4.7.4 internal auditors have the skills required for auditors which include the abilities to judge outcomes and make an impact at the highest level of the organization	47
-Table 4.7.5 the internal auditors are straightforward, honest and truthful which is the foundation for confidence on the internal auditor's professional judgment	48
-Table 4.7.6 internal auditor respect the confidentiality of information acquired during the course of performing service and not discloses such information	49
-Table 4.7.7 internal auditor's plays important role in banks performance achievement	52
-Table 4.7.8 an internal auditor adds value to the bank	- 53 -
-Table 4.7.9 internal auditors act in a manner consistent with the good reputation of the profession and refrain from any conduct which might bring discredit to the profession. Error! Bookmark not defined.	
-Table 4.7.10 internal auditors report is on time and very useful for management decision making. Error! Bookmark not defined.	
-Table 4.8 Descriptive Statistics for audit competence	- 54 -
-Table 4.8.1 Internal auditor staff has the abilities to identify, solve problems and work in teams.-	54

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-Table 4.8.2 Internal auditor staff has the abilities to gather, evaluate evidence and to present, discuss at times defend	- 55 -
-Table 4.8.3 Internal auditor staff has the abilities to informal, written and spoken communication and to treat sensitive confidential information appropriately	- 56 -
-Table 4.8.4 Internal auditors understand the entity and environment, performs analytical procedure and review performance of audit.	- 57 -
-Table 4.8.5 Internal auditors assess the risk within an organization's internal control structure	- 58 -
-Table 4.8.6 Internal auditors have professional knowledge and practical experience relevant to that industry or environment required	- 59 -
-Table 4.8.7 the internal auditor staff acquires appropriate ongoing training in order to meet the growing banking activities and about the introduction of new products.	- 60 -
-Table 4.8.8 Internal auditors have the knowledge of audit principles, practices, techniques and client products to carry out their daily operation.	- 61 -
-Table 4.8.9 the internal audit department has enough number of staff who is accountable to commence auditing activities and special investigation	- 62 -
-Table 4.8.10 Internal auditors have educational background which is required for position to carry out their work.	- 63 -
-Table 4.9 Descriptive Statistics for audit compliance	- 64 -
-Table 4.9.1 internal auditor staff has the abilities to identify the elements of the audit, assess whether a particular subject matter is compliant with the established criteria and issue a compliance audit report	- 64 -
-Table 4.9.2 internal auditor promotes transparency by providing reliable reports as to whether resources have been well administered	- 65 -
-Table 4.9.3 internal auditor staff have the abilities promotes good governance both by identifying weaknesses and deviations from laws and regulations	- 66 -
-Table 4.9.4 Internal auditor staff has the abilities to promote accountability by reporting deviations from and violations of authorities, so that corrective action may be taken and those accountable may be held responsible for their actions.	- 67 -
-Table 4.9.5 The auditor identifies criteria on the basis of the relevant authorities	- 68 -
-Table 4.9.6 The auditor report is in due time when the findings are applicable and can be relevant to the intended users	- 69 -

-Table 4.9.7 the auditor apply professional judgment and skepticism to ensure that all reports are factually correct and that findings and conclusions are presented in a relevant and balanced way.	- 70 -
-Table 4.9.8 The auditor checks the accuracy of facts with the audited entity and incorporates responses from responsible officials as appropriate	- 70 -
-Table 4.9.9 The auditors evaluate the evidence obtained as to its sufficiency (quantity) and appropriateness (quality) Re-assessing risk and gathering further evidence as necessary	- 72 -
-Table 4.9.10 The auditor to consider all relevant audit evidence before issuing the report	- 73 -
-Table 4.10 Descriptive Statistics for independence	- 74 -
-Table 4.10.1 The auditors can audit one or more areas of the financial statements without any restriction	- 74 -
-Table 4.10.2 Internal auditors are free from Self-interest, which means where an auditor could benefit from a financial or other form of interest in or relationship with the company being audited	- 75 -
-Table 4.10.3 Internal auditors are free from Self-review which means when performance of services for an audit client that result in the audit firm auditing its own work	- 76 -
-Table 4.10.4 The auditors are free from advocacy, which means acting as a promoter for an audit client's position in dealings with third parties.	- 77 -
-Table 4.10.5 Internal auditors free from familiarity which reflects long association of an audit engagement partner	- 78 -
-Table 4.10.6 Internal auditors are free from management intervention when they carry out their activities	- 78 -
-Table 4.10.7 The auditor are Independent which means provide a clear picture of a company's worth	- 80 -
-Table 4.10.8 Internal auditors are independent which protect banks from possible fraud and accounting improprieties and safeguard the financial interests of partners or shareholders	- 81 -
-Table 4.10.9 Internal auditors are independent in preventing the bank from misappropriating funds and determine whether books and records have been properly kept and help the bank to be aware of any discrepancies	- 82 -
-Table 4.11 Descriptive Statistics for management support	- 83 -

- Table 4.11.1 the management launches having a schedule to support timely responses to auditor requests - 83 -
- Table 4.11.2 the management delegates responsibilities to all members involved in supporting the audit. - 84 -
- Table 4.11.3 the management holds meetings during and after the audit to seek feedback and improve the audit process in the future - 85 -
- Table 4.11.4 the management establishes a transparent relationship with two-way, ongoing communication throughout the audit builds greater engagement on the part of management and may further support an effective, efficient and higher quality audit, benefiting both management and the auditor - 86 -
- Table 4.11.5 Management is accountable for ensuring that timely and appropriate actions are taken on all internal audit findings and recommendations - 87 -
- Table 4.11.6 before every audit and special investigation management can ensure that the necessary things are available for internal auditors to carry out their duties. - 88 -
- Table 4.11.7 Management provides training and new technology to update internal auditors - 89 -
- Table 4.11.8 Management facilitates to provide enough budgets needed for auditors in order to carry their duties without any financial obstacles - 90 -

ABSTRACT

The main purpose of this study is to examine the Assessment of internal audit practices in the case of Abay bank SC. The general objective of this study was to assess of internal Audit practice in the case of Abay bank SC. Specifically how effectiveness and efficiency works in link with competence, independence, compliance and management support. Data was then analyzed on quantitative basis using descriptive statistics. The target is selected fifteen city branches including head office internal audit department that are predictable to represent the other branches. The data were collected through questionnaire. The sampling technique was purposive method. To answer the research questions questionnaires were distributed to different staff members and internal auditor. The finding of this study states that competency, compliance organizational independence and management support well and fine. The result showed that there is strong significant positive relationship between independence, competency, management support and compliance to dependent variable internal audit effectiveness.

Key words:-Effectiveness and efficiency, compliance, competence, independence and management support.

CHAPTER ONE

1. INTRODUCTION

1.1. BACKGROUND OF THE STUDY

Nowadays the importance internal auditing is increasing both internally and externally from day to day because it allows organizations to know whether resources are being properly managed. Audits, especially internal audits, are a tool to help management understand the organization's performance, so that the company can improve its business processes and controls. Audits work by collecting evidence and data points about specific business functions, to compare that information against expected performance standards. (<https://www.oia.ufl.edu>) The globalization of economy, technological advancement, and complexity of business and allegations of fraudulent financial reporting have recently sharpened the ever increasing attention to internal control and internal auditing (Karagiorgos et al., 2009). Internal auditing has shown remarkable transformation which helps to expand its span in a way that consent to it to create greater assistance to the organization. Organizations that effectively use internal auditing were better able to identify business risks; process and system inefficiencies, take appropriate corrective action and ultimately support continuous improvement (Institute of Internal Audit, 2010). We can say that from this internal audit function helps to the organization to protect it from unexpected risk and to minimize if it happens. Internal audit helps the organization protect from high risk that can affect the organization. It also mentions to management if the risk is well identified and managed to safe from unnecessary damages that can affect its profitability.

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. Strong internal audit function is preventing financial reporting irregularity in the presence of unambiguous potential GAAP (i.e. Generally Accepted Accounting Principles) violation (Arel et al., 2012). From this we can understand that internal audit plays main role in organization's daily operation to the extent at which to make more profitable than ever before by achieving its objective using different technique that helps the company more attractive in its market completion, so any organization should give great concern to the carrier. The objective of auditing is to review and evaluate the activities of the organization to express an opinion on the efficiency and effectiveness of management, as well as the adequacy of internal control within an organization (Suleiman, 2017).

Auditors play a very crucial role in capital market development, as some investors rely on the audit report, a scenario where auditors express the true and fair view of the financial statements. This role goes

beyond reviewing the financial statements; it also involves providing support to market regulators and the audit committee in supervising management (Velte & Loy, 2018).

Auditor independence and the quality of audit report is of growing concern to regulators, institutional investors and stakeholders as a series of accounting scandals have undermined the professionalism of auditors. The findings from this study produced an insight of how auditor's independence improve audit quality and that abnormal audit fees is as a result of additional effort for auditor to carry out rigorous audit engagement as a result of wider audit scope; that mandatory audit firm rotation will enhance auditor independence, and that audit committee with nonexecutive independence will promote audit quality. The study also finds that in terms of auditor size, smaller audit firms that belong to professional bodies will Provide higher audit quality. The main conclusion of this research is that where an auditor is fully independent in carrying out audit engagement with strong resistance to fees pressure will enhance audit quality.

Audit plays an essential role in serving the public interest to „strengthen accountability and reinforce trust and confidence in financial reporting “(ICAEW, 2005). However, scandals like Enron and WorldCom in the US or Parliament in Europe have given the audit profession a lot of publicity, some of which is negative. Thereupon, global opinions were voiced demanding improvements in audit quality. As a result of these, changes have been made in order to promote greater transparency in the audit and accountability in auditors. Nevertheless, the demands for further improvements continue to exist. This raises questions about how (and to what extent) these various demands and concerns can be addressed.

Internal auditors play a key role in monitoring a company's risk profile and identifying areas to improve risk management (Goodwin- Stewart and Kent 2006). The role of the auditor is essential for verifying the accuracy and correctness of the information provided by corporations. He acts as an intermediary between the management and the users of this financial information. To reduce the information asymmetry, the auditor has also to communicate with those using the information he provides. Thus, it is important that the groups involved have an understanding of the audit's meaning. However, in this case the opinions are divided. Several attitudes do exist concerning the expectations of the purpose and operation of the audit.

The aim of internal auditing is to improve organizational efficiency and effectiveness through constructive criticism (Goodwin-Stewart and Kent, 2006). The foremost objective of auditing is to make sure that a company's financial statements are precise and are following regulatory guidelines. Auditing also grants investors, creditors, and other stakeholder's reasonable assurance that they can rely on a company and its integrity.

1.2. AUDITING HISTORY IN ETHIOPIA

The main purpose of government auditing is to express opinion on financial statements and related issues of legality, regularity and fraud as well as examining whether government institutions are operating economically, efficiently and effectively. To achieve these objectives every country establishes (SAI) whose independence is protected by law.

The existence of independent SAI can enable informed policy analysis, confident and credible decision making in the process of national economic management. Quite apart from serving as the basis for policy analysis and decision making, audit also ensures proper accountability and enhances democracy in the execution of responsibilities conferred at different levels of the decision making process. Accountability is the obligation to answer for responsibility entrusted. It is also a relationship based on the obligation to demonstrate and to be responsible for performance in light of agreed expectations. To ensure accountability in government, the relation among the three branches of a government (i.e. the legislative, the executive and the judiciary) needs management in terms of control and power sharing. The legislative approves various budgets. The approved plans and budget is implemented by the executive body. In order to know whether the approved budget and other planned issues are properly implemented or not, the legislative needs accurate information. To obtain this information forming an independent Supreme Audit Institution is very important. Accordingly, the Ethiopian SAI has been established to discharge the above mentioned responsibilities though it passed through a lot of ups and downs. The purpose of this article is to highlight the evolution of government auditing and the history of the Ethiopian SAI.

The history of Ethiopia's (SAI) is related to the 1931 constitution, which stated the importance of the proper collection of the government revenue and the necessity of setting procedures to control expenditures. However, the constitution failed to stipulate the need for government auditing and establishing a SAI. But latter, proclamation No. 69 of 1944 established the first legal audit institution called Audit Commission. Under this proclamation the commission was responsible for the audit of the accounts of the Ministry of Finance, whereas the financial transactions of other ministries were inspected and controlled by the Ministry of Finance itself. The Comptroller and Auditor General who headed the commission were reporting directly to the prime Minister.

Though the proclamation established sort of the first government audit institution, the commission was not independent of the ministry as far as its professional freedom is concerned. Besides, its audit coverage is limited to only to certain government departments. However, these short comings were resolved after two years through the amended proclamation No. 79 of 1946. The amended proclamation

centralized the audit of all government accounts less than one audit department called the Audit and Control Department, under the leadership of the Comptroller and Auditor General reporting to the Prime Minister. Although the power and duties of the commission were substantially increased the commissioner still lacked independence from the executive as he was reporting to the prime minister. The Audit and Control Department continued to operate until it was amalgamated with the Ministry of Finance's control department without any legislative provision in 1952. This was a major setback in the process of developing an independent national audit institution. But after three years, the revised constitution of 1955 established a relatively independent audit institution. Articles 120 and 121 of the revised constitution of 1955 established a separate and independent audit entity accountable to the emperor and to parliament. These articles required the auditor general to report regularly to the emperor and parliament on the financial operations of the government. The articles also empowered the auditor general to access all books and records pertaining to government accounts. However, the constitution did not stipulate the detailed functions and reporting requirements of the Office of the Auditor General until Decree No. 32 of 1958 which articulated the functions of the office including reporting responsibility. Latter, an amended legislation was issued a proclamation 179/1961. The new proclamation, in addition to defining powers and duties, it laid down the conditions regarding the appointment and independence of the auditor general as well as the reporting procedures. The provisions of this legislation was a mile stone as the office of auditor general has acquired a higher degree of independence to carry out regularity audits; but the proclamation lacked a mandate for expanding the scope of the office's audit to carry out performance or value for money audits. Accordingly, the office has to wait until proclamation No. 164/1979.

Proclamation N0.164/1979 increased the traditional power and duties of the Office of Auditor General considerably by empowering the office to conduct efficiency and effectiveness (performance) audits. However, the proclamation failed to incorporate the reporting and remuneration aspects of independence which are part and parcel of the basic necessities for effective operation of a SAI.

1.3. ORGANIZATIONAL BACKGROUND

Abay Bank has fulfilled all the necessary requirements of the National Bank of Ethiopia to set up a bank, and officially established on July 14th 2010 and started full-fledged banking operations on November 3, 2010. Currently, paid up-capital of the bank is Birr 4.733 Billion/ Four Billion Seven Hundred Thirty-Three Million Birr as of June 30, 2023, and the number of shareholders reached 4,437/ Four Thousand Four Hundred Thirty-Seven. The Bank is poised to serve all economic sectors through its

network of branches. It extends its services to domestic trade and services, international trade, agriculture, industry, transportation, construction and real estate sectors.

Abay Bank is taking all the necessary steps to be an effective partner to every business in fulfilling their financial dreams and aspirations. The Bank is determined to bridge the gap between access to financial services and those who need it most. In light of this, the Bank offers all types of universal bank in services, and has planned to render unique services to its clients supported with modern technology. Since its establishment, the Bank has achieved encouraging achievements by all standards. Its sphere of operation has expanded all over the country and the total number of branches has reached over 487 and it has more than 2,509,638 (Two Million Five Hundred Nine Thousand Six Hundred Thirty-Eight) account holders as of June 30, 2023.

1.4. STATEMENT OF THE PROBLEM

As quoted by George et al (2015) there is great importance to identify the factors affecting internal audit in order to be effective. Knowing factors that affect audit practice is an important tool for companies to ensure their operations run smoothly and efficiently. The absence of primarily internal auditing in the organization will result in lack of continuous assurance service. (Simon cited in Hussein Abdi, 2013).

Cohen and Sayag (2010) also argue that organizational independence of internal audit affects internal audit effectiveness. This means that internal auditors must be independent of the company's management and maintain an unbiased view when assessing the financial statements and operations of a company. Even though this is the reality, this fact should be approved depending on what respondent's view to the questioner.

Mihret and Yismaw (2007) argued that there is a positive relationship between top management support and internal audit effectiveness. This sentence describes that as the management support increases internal auditors' commencement towards their work rises. The in efectiveness of internal control is caused by lack management commitement to follow up the findings from the internal control department may hurt the audit acivity. Although this what is expected from the management, but we have to check whether this circumstance is happening or not by using the response.

Mihret et al. (2010) indicate that competence is essential requirement for internal audit effectiveness. The greater responsibilities of the auditor may require the development of additional professional knowledge, professional skills and professional values, ethics and attitudes. Competence is the product of education and experience. Dikolli (2004) stated that existence of a good audit planning makes auditor will potentially have competence to find material misstatements and in audit planning should consider client's

internal control system, audit risk, and substantive testing procedures. Though competence is the main that an auditor should possess, we have to check using our mechanism.

Unegbu and Kida (2011) defined internal audit as “an aspect of the internal control system established by management of an organization in order to ensure proper compliance with the stipulated policies and procedure in order to achieve management objectives”.

Even if there are some researches done but not particularly in the case of Abay bank SC and time gap the researcher by using the combination of five main variables such as effectiveness, compliance, competence, independence and management support intends to do this study in order to fill this gap and tries to suggest the possible solutions.

Research Question

- What are the factors affecting internal audit effectiveness and efficiency?
- Does internal auditor’s independence influence on internal audit effectiveness and efficiency?
- Does internal auditor’s competence impact on internal audit effectiveness and efficiency?
- Does internal auditors compliance to rules and regulation impact on internal audit effectiveness and efficiency?
- Does the management support power on internal audit effectiveness and efficiency?

1.5. GENERAL OBJECTIVE

- To assess the internal Audit practice in the case of Abay bank SC

1.6. SPECIFIC OBJECTIVE

- To assess the efficiency and effectiveness of internal audit practices in the case of Abay bank SC.
- To assess if organization is following laws, rules, and regulations or internal guidelines.
- To study whether management support affect the internal audit practice in Abay bank sc.
- To assess if internal auditors have professional knowledge and experience in the case of Abay bank
- To study the level of independence of the internal audit function in the case of Abay bank sc

1.7. SIGNIFICANCE OF THE STUDY

The study adds value to internal audit occupation by providing dependent and independent variables. These independent variables can be used as symbol to show direction to what extent they affect internal audit practice which is dependent variable in the study. We can also simply understand that how important is internal auditor to the bank by providing accurate and reliable financial reports through which you can gain insights on which segments or product lines are performing best and how to properly allocate resource and to predict potential upcoming opportunities and risks, the study also can be used to

increase shareholders, board of directors how much important are audit practice in achieving their strategy.

The outcomes of the study will support to isolate gaps in the structure of internal audit practice in the case of Abay Bank sc. Besides, this study assists as a reference for other researchers who are fascinated in conducting studies on internal audit practice. It also helps to check whether if the operation is accordingly with up dated financial regulation, rules and regulation. Additionally, it helps to know how auditors have professional knowledge and practical experience in their activity.

1.8. . SCOPE OF THE STUDY

The scope of this study covers the internal auditors and different staffs that work in different branches and head office of Abay bank SC. This research will stress on the Assessment of internal audit practices in the case of Abay bank SC in connection internal audit practice with in line with the level of independence of the auditor, adequacy of competent internal audit staff, compliance with rules and regulations and management support.

1.9 ORGANIZATION OF STUDY

The research paper consists of five chapters. Chapter one contains background of the study, statement of the problem, objective of the study, significance of the study, scope of the study, and organization background. Chapter two deals with theoretical and empirical literature review to provide background information what is already known about the matter under study. Chapter three describes research design and methodology part presents the study population, sample size, sampling techniques, methods of data analysis. Chapter four interprets and discusses .Chapter five includes summary and recommendation.

CHAPTER TWO

2. LITERATURE REVIEW

2.1. INTRODUCTION

In order to attain long-term profitability and to maintain reliable financial system the bank should have well equipped internal control system internal audits, are a tool to help management understand the organization's performance, so that the company can improve its business processes and controls. Audits work by collecting evidence and data points about specific business functions, to compare that information against expected performance standards. (<https://www.qualityweb360.com/the-importance-of-internal-audit>). The American Institute of Public Accountants has defined internal control as the plan of organization and all the co-ordinate methods, and measures adopted within a business to safeguards its assets, check the accuracy and the reliability of its accounting data, promote operational efficiency and encourage adherence to prescribed managerial policies. By doing this the bank can comply with laws and regulations, policies and procedures as well as it can help to reduce the risk of unexpected losses to the bank. So, if banks look for attaining success in their daily operations they should give attention to their internal control system. In this chapter I try to cover the literature written concerned auditing like evolution of auditing, definition of auditing, types of audit and auditors, , objective and scope of internal audit, theories of internal audit, role of internal audit and the factors that affect internal audit are the like will be discussed.

Source; by gathering and organizing what I get from internet. The major factor that assists in the emergence of Internal Auditing was the extended span of control systems faced by management in businesses (Institute of Internal Auditing research foundation, 2003)

2.2. THEORETICAL REVIEW INTERNAL AUDIT AND RELATED LITERATURE

2.2.1. AUDIT DEFINITION

Auditing is the examination of the books, accounts and vouchers of the business. The purpose is to satisfy that the balance sheet shows a true and fair view of the state of affairs of the business and the profit or loss derived by the business during the financial period. The auditor, to satisfy himself of the above facts, may obtain such information and explanation that would be necessary in the matter. Further, if he is not satisfied with the position of the business as shown in the balance sheet and profit and loss account, he must report as to why he is not satisfied.” — Spicer and Pegler.

“Auditing is concerned with the verification of accounting data determining the accuracy and reliability of accounting statements and reports.” — R.K. Mautz

“Auditing is an examination of accounting records undertaken with a view to establishing whether they correctly and completely reflect the transactions to which they purport to relate.” L. R. Dicksee. The book "an introduction to Indian Government accounts and audit" "issued by the Comptroller and Auditor General of India, defines audit “an instrument of financial control. It acts as a safeguard on behalf of the proprietor (whether an individual or group of persons) against extravagance, carelessness or fraud on the part of the proprietor's agents or servants in the realization and utilization of the money or other assets and it ensures on the proprietor's behalf that the accounts maintained truly represent facts and that the expenditure has been incurred with due regularity and propriety. The agency employed for this purpose is called an auditor."

The main goal of auditing is to make sure that a company’s financial statements are precise and are following regulatory guidelines. Auditing also affords investors, creditors, and other stakeholders’ reasonable assurance that they can rely on a company and its truthfulness. The plan is to make sure and confirm the accounts by an independent authority to ensure that all books of accounts are done in a fair manner and there is no parody or fraud that is being conducted.

2.2.2. FEATURES OF AUDITING

- Audit is a systematic and scientific inspection of the books of accounts of a business;
- Audit is undertaken by an independent person or body of persons who are duly qualified for the job.
- Audit is a proof of the results shown by the profit and loss account and the state of affairs as shown by the balance sheet.
- Audit is a critical review of the system of accounting and internal control.
- Audit is done with the help of vouchers, documents, information and explanations received from the authorities.
- The auditor has to satisfy himself with the authenticity of the financial statements and report that they exhibit a true and fair view of the state of affairs of the concern.
- The auditor has to inspect, compare, check, review, scrutinize the vouchers supporting the transactions and examine correspondence, minute books of shareholders, directors, Memorandum of Association and Articles of association etc., in order to establish correctness of the books of accounts.

2.2.3. OBJECTIVES OF AUDITING

There are two main objectives of auditing.

A. Primary objective –the primary duty (objective) of the auditor is to report to the owners whether the balance sheet gives a true and fair view of the Company’s state of affairs and the profit and loss A/c gives a correct figure of profit of loss for the financial year.

B. Secondary objective – it is also called the incidental objective as it is incidental to the satisfaction of the main objective. The incidental objectives of auditing are:

- i. Detection and prevention of Frauds, and
- ii. Detection and prevention of Errors.

Detection of material frauds and errors as an incidental objective of independent financial auditing flows from the main objective of determining whether or not the financial statements give a true and fair view. As the Statement on auditing Practices issued by the Institute of Chartered Accountants of India states, an auditor should bear in mind the possibility of the existence of frauds or errors in the accounts under audit since they may cause the financial position to be miss-stated. Fraud refers to intentional misrepresentation of financial information with the intention to deceive. Frauds can take place in the form of manipulation of accounts, misappropriation of cash and misappropriation of goods. It is of great importance for the auditor to detect any frauds, and prevent their recurrence. Errors refer to unintentional mistake in the financial information arising on account of ignorance of accounting principles i.e. principle errors, or error arising out of negligence of accounting staff i.e. Clerical errors.

2.2.4. THE IMPORTANCE OF AUDITING

2.2.4.1. CREDIBILITY AND RELIABILITY

Credibility and reliability can be done by auditors when an internal auditing system of your business can create accurate and reliable financial reports through which you can gain insights on which segments or product lines are performing best and how to properly allocate resources. “An audit is an examination of such records to establish their reliability and reliability of statements drawn from them.” — A. W. Hanson. Additionally, regular auditing will make your shareholders trust that your accounts are true and fair and that it’s safe to invest in your business.

2.2.4.2. PREVENTING FRAUD

In order to be safe from fees and legal punishments due manipulate its financial health, or hiding revenue and losses , you should take action by employing a professional auditor or accountant of the company who plays an important role in detecting these fraud cases before they become substantial and

problematic. “Auditing is the systematic examination of financial statements, records and related operations to determine adherence to generally accepted accounting principles, management policies or stated requirement.” – R.E. Schlosser. Having a rigorous auditing system set in place alone prevents and scares employees or vendors from attempting a scheme to defraud your business in the first place.

2.2.5. TYPES OF AUDIT

2.2.5.1. COMPLIANCE AUDIT

It means to adhere to local laws, compliance, government regulations, external policies, or other restrictions. Internal audit committee must play important role by reviewing all the company’s activities whether the company is stick on with to local laws, compliance, government regulations, external policies, or other restrictions and to check the status of compliance requirement. While the audit is done for regulatory reasons, the objectives are still to make certain sufficient control over a significant internal process (Arens et al., 2005; Olga, 2017).

2.2.5.2. FINANCIAL AUDITS

These audits appraise accounting and financial transactions to determine if commitments, authorizations, and receipt and disbursement of funds are properly and accurately recorded and reported. In this case the auditor assesses if there are adequate controls over cash and other assets. The vital objective is to make certain that the financial movement of the department, unit or area is completely and accurately reflected in the appropriate financial reports (Arens et al., 2005; Olga, 2017).

2.2.5.3. INTERNAL FINANCIAL AUDIT

Public companies are required to perform certain levels of external financial auditing where a completely independent third party provides an opinion on the company's financial records. Companies may want to dive further into audit findings or perform an internal financial audit in preparation for an external audit. Many of the tests between an internal or external auditor may be similar; the nature of independence separates the two types of audits for financial audits.

2.2.5.4. ENVIRONMENTAL AUDIT

Since the company works on the earth any activity of it can affected by what is happening on it. Therefore, to audit its environment where it works is necessary and a step to its success. This consequence an internal audit covering how a company securely sources raw materials, minimizes greenhouse gases during production, utilizes eco-friendly distribution methods, and reduces energy use.

2.2.5.5. TECHNOLOGY/IT AUDIT

It means reviewing how the company works with its hardware, software, security, documentation and recovery system. IT audit may have different objectives. The internal audit may be the result of an external lawsuit, a company complaint, or a target to become more efficient. An internal audit focused on technology reviews the controls, hardware, software, security, documentation, and backup/recovery of systems. The goal is likely to assess general IT correctness and processing capability. The objective is to determine that IT systems are protecting assets, maintaining data integrity and efficiently operating to achieve business objectives (Olga, 2017).

2.2.5.6. PERFORMANCE AUDIT

A performance audit assesses on how the company meets with set performance with real performance. An internal audit focused on performance pays less attention to the processes and more on the final result. The company will have likely have set performance objectives or metrics that may be tied to performance bonuses or other incentives. As a result, an internal auditor assesses the outcome of an objective that may not be easily quantifiable.

2.2.5.7. OPERATIONAL AUDIT

In this case the auditor inspects the use of resources to determine if resources are being used in the most effective and efficient manner to fulfill the organization's mission and objectives. During an operational internal audit, the auditor will review whether current staff and processes fulfill the mission statement, value, and objectives of a company.

2.2.5.8. SPECIAL INVESTIGATIONS

Many of the audits above may be recurring and carry out each year. In some cases, it might make sense for an internal audit committee to evaluate an unusual circumstance that will occur only once. This may require gathering a report on the efficiency on a recent merger, the hiring of a key employee, or a complaint from staff. When selecting the individuals for the special investigation audit, a company must be especially mindful to select members with appropriate expertise and independence.

2.2.6. TYPES OF AUDITORS

At the end of each financial year's end, every company must acquire its accounts and books audited. During an audit, your auditor inspects and gathers all your financial data concerning your business transactions during the year and assesses the information collected for accuracy and legitimacy. If someone wants be an auditor requests an enormous deal of awareness relating to tax and accounting

standards and abundant experience. Further, this financial position can be checked its correctness by different types of auditors like presented below.

2.2.6.1. *EXTERNAL* AUDITOR:

An external auditor's work is to form an opinion on whether the books of accounts have been maintained properly and whether the annual financial statements represent a factual and fair view of the entity's financial position. An external auditor's report is of utmost importance as it holds the auditor's opinion regarding your company's honesty. Your annual financial statements and the auditor's report are published to all stakeholders, including the public. The external auditor is an independent body with no relations to its customers! They are appointed by the shareholders of the company rather than the management. An external auditor's opinion is neutral and exclusively for the users of financial statements on whether the company is accurate to its shareholders or not.

2.2.6.2. *INTERNAL* AUDITOR

Internal auditors, as the name recommends, are internally engaged by entities to keep close tabs on the accounts and finance department of the business. An internal auditor is hired to make ready for external audit. An internal auditor performs extensive audits by evaluating the financial statements, the internal controls, the books of accounts, performing inventory valuation, reconciling statements, prepares a report, pointing out the problems and suggesting solutions. The company's management hires internal auditors as employees and is not considered independent auditors.

2.2.6.3. *FORENSIC* AUDITOR

Forensic auditing engages in auditing financial records and transactions related to fraud or criminal activities. Forensic auditors must also interpret their findings in court, sometimes during legal proceedings.

2.2.6.4. *TAX* AUDITOR

A tax auditor verifies whether your financial statements are eligible per the tax laws. A tax audit is conducted to check the accuracy of the income tax returns filed by your company.

2.2.7. CODE OF ETHICS

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

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

2.2.8. INTERNAL AUDIT

An internal audit is a kind of internal control course of action designed to inspect and appraise the effectiveness of other controls inside an organization. Its key purpose is to protect the organization's assets and properties from thrashing, waste as well as fraud.

An internal auditor takes place within a company, as the name implies working only for the company. As a result, the company's accounting records, financial activities, and operations will be reviewed by an independent internal auditor or team of auditors who are usually the employees of the company. There are also cases where the internal audit function is outsourced to a professional firm. Here, we will discuss the detail of the scope and objective of internal audit activities as well as it reporting line.

2.2.9. THE MAIN OBJECTIVES OF AN INTERNAL AUDIT

2.2.9.1. TO ANALYZE THE OPERATIONS

Systems, procedures, and sufficient staffing are necessary by a company so that it can congregate its objectives and hold important resources. Therefore, internal auditors must work together closely with department managers to be aware of the company's operations. After the internal auditors get a good understanding of the company's strategic objectives and the industry in which they operate, they will be able to see how the activities of a particular component of the organization fit into the broader picture and perform a good analysis of the company's operations.

2.2.9.2. TO REVIEW THE RISKS IDENTIFIED BY MANAGEMENT

It is the responsibility of management to make out the risks that the company faces and to understand how they will hold back the company from meeting its objectives if they are not appropriately handled. Managers must determine the company's risk and put in place adequate controls and other actions to manage the risks. Some businesses will be more willing to take more risks to ensure it stays relevant in rapidly moving trends and business/economic situations. As a result, internal auditing procedures have evolved to become more proactive and risk-based so that the internal auditor will be able to foresee potential future opportunities and risks as well as give assurance, guidance, and insight before any issues actually arise.

2.2.9.3. TO EVALUATE THE RISK MANAGEMENT ABILITY

Internal auditing is first and foremost paying attention on reviewing how healthy a company manages its risks. To evaluate that, the internal auditor will assess the quality of internal control systems, risk management processes, and corporate governance. In order to be company's successful the ability to manage risks like health and safety risks, market failure risks, supply chain risks, cyber security risks and financial risks effectively or more effectively than rivals is very important.

2.2.9.4. TO REVIEW CONTROLS

Internal audit has an objective in assessing the internal controls as these controls affect every single individual in the company. The internal auditor will need to review those controls by checking if they are adequately designed to handle the risks, properly carried out by those involved and whether any additional controls need to be implemented to fill any gap in the risk management process.

2.2.10. THE SCOPE OF INTERNAL AUDIT

The internal audit's scope comprises examining and evaluating the system of internal control's sufficiency and dependability. Internal audit's work is to make certain that pertinent internal controls are in place throughout all of the company's activities. The internal auditor's work will cover the following areas:

2.2.10.1. REVIEW OF POLICIES AND PROCEDURES FOR COMPLIANCE

The operation of the commercial firm is influenced by the systems and processes that it implements. So the internal auditors' work scope includes evaluating and reporting on the efficacy and impact of such systems.

2.2.10.2. VERIFY THE ACCURACY AND CONSISTENCY OF INFORMATION

The internal auditor should confirm the accuracy and consistency of information used in finance and operations. The confirmation also needs to include an assessment of the methods for identifying, recording, classifying, estimating, measuring, and reporting such data.

2.2.10.3. CONFIRM THE COMPANY RESOURCES HAVE BEEN PROPERLY USED

Evaluating how effectively and efficiently the resources are being used is also within the scope of an internal audit. Additionally, during this step, factors that hold back efficient resource utilization should also be identified by the internal auditors.

2.2.10.4. CHECK IF THE COMPANY MET ITS OBJECTIVES

An examination of the company's activities or programs is also being carried out by an internal auditor to see if the results are in line with the company's clear goals and objectives. The auditor will also confirm to see if such activities or programs are being performed as planned.

2.2.10.5. VALIDATE IF THE ASSETS ARE WELL-PROTECTED

The internal auditor should examine the current system for protecting assets and, if necessary, confirm their existence.

Here are some examples of tasks that internal auditors will carry out during an internal audit:

- Setting audit objectives so that development toward them can be tracked.

- Recognizing, analyzing and providing recommendations for effective handling of the company's significant risks.
- Evaluating whether controls are in place to protect the company's assets against losses that may be caused by waste, inefficiency, economically unsound activities and fraud.
- Assess if the information systems used by the management are secure and be relied on.
- Review the operations to see if the company's policies and control processes are followed when they are carried out.
- Assess the company's operations to ensure they are conducted efficiently, effectively and cost-effectively.
- Evaluate whether the company complies with all applicable laws, rules and regulations.
- Review the new systems implemented by the company to ensure that they are being monitored and adequate internal controls are in place and that they are in line with the company's needs.
- Assess whether the company apply good governance across its operations.
- Evaluate whether the company's goals have been met.

2.2.11. AUDIT THEORIES

Audit refers to an assessment of the financial reports of a firm by an independent entity. The severance of business ownership and management in modern society has formed a need for accountability; causing the role of audit to change as the needs of stakeholders' change. Audit, in itself, provides to the relationship of accountability; independent from other parts of the firm to provide a true and fair view of the financial reports of an organization. Whereas, the 'value relevance' refers to the auditors' ability and responsibility to provide reasonable assurance that financial statements are free of material misstatement, either due to fraud or error; or both.

Audit theories provide a framework for auditing, uncovers the laws that govern the audit process and the relationship between different parties of a firm, forming the basis of the role of audit. There are many theories which may explain demand for audit services in modern societies. These include, but are not limited to;

2.2.11.1. THE POLICEMAN THEORY

Assets that the auditor is responsible for searching, discovering and preventing any fraudulent activity. However, the role of auditors is to provide reasonable assurance and an independent, true and fair view of the financial statements. Although, there has been more pressure on auditors to detect fraud after recent

reporting scandals e.g. Enron. It can be argued that in modern societies, the users of statements want auditors to be responsible for fraud detection as they use audit reports to analyze and make decisions. However, auditors are not responsible for finding all fraud but should improve their detection rate to instill public confidence. The primary responsibility of fraud prevention and detection rests with the management and the governance of an organization; it is also important that more emphasis is placed on prevention of fraud. However, the auditor also has a duty of care to the end users of audit reports and should consider risks of material misstatements due to fraud when calculating audit risk.

2.2.11.2. THE CREDIBILITY THEORY

Suggests that adding credibility to financial statements is an integral part of auditing, making it a fundamental service auditors provide to clients. Audited financial statements boost users' confidence in an organizations financial records and management's stewardship; in turn, improving their decision quality such as, investment or new contracts, based on reliable information. This is because stakeholders need to have faith in the financial statements. The credibility gained by financial statements would affect decisions by stakeholders (e.g. Credit limits provided by suppliers) and also helps shareholders put trust in management; reducing the 'information asymmetry' between stakeholders and management.

The theory of inspired confidence focuses on both the demand and supply of audit services. The relationship of accountability is realized with financial statements; however, as outside parties cannot monitor any material misstatement or bias in financial reports, the demand for an independent reliable audit arises. The supply of audit services should satisfy the public confidence that arises from the audit and fulfill community expectations, as the general function of audit is derived from the need for independent examination and an expert opinion based on findings; due to the confidence society places in an independent auditors' opinion. It can be assumed that if society lost confidence in audit opinion, the social usefulness of audit would cease; as audit delivers benefits to the users of financial statements. The auditor should maintain appropriate business practices to maintain his independence from the firm being audited, in order to satisfy his obligation to examine business practices and provide a credible opinion on the financial statements.

2.2.11.3. THE AGENCY THEORY

Highlights that audit services are employed in mutually the interests of third parties and management. An agency relationship exists between the agent (management) and principals (shareholders, employees, banks etc.); where the authority of decision-making is delegated to the agent. If both principals and agents want to maximize utility, the agent may not always act in the best interests of the principal as their interests may differ e.g. shareholders may want to maximize share value, management may be interested in company growth. Hence, agency theory focuses on the costs and benefits of an agent-principal

relationship. Costs that arise due to the decision-making authority given to agents, in modern companies due to separation of ownership and control are ‘agency costs’, agency costs are the sum of the monitoring expense by the principal, the bonding expense of the agent and the residual loss. A beneficial agency cost would maximize shareholder value and an unwanted agency cost would arise due to conflict of interest between shareholders and managers. Analysis of agency costs give an indication of how well an agent is discharging his responsibilities towards the principal, enabling the principal to observe and introduce controls to reduce any conflict of interest. As an organization has many contracts, several parties (e.g. suppliers, employees etc.) which add value to the company for a given price, for their own personal interests; it is the agents responsibility to optimize the contracts to maximize the value of the organization. The relation among the parties involved become infected if the agents takes advantage of their knowledge for personal gain at the expense of the principals lack of knowledge in the area, which give rise to conflicts. (Arnold and Lange, 2004)

2.2.12. FACTORS AFFECTING INTERNAL AUDIT PRACTICE

2.2.12.1. AUDITORS COMPETENCY

Basically, competency consists of people’s knowledge, technical skills and interpersonal skill. According to Baharud-din (2014), competency influences efficiency of the auditor, effectiveness of the internal audit and the quality of the audit work done in an organization.

2.2.12.2. AUDITORS INDEPENDENCE

Independent refers to the concept of being free from any influence while internal auditors perform audit activities and prepare audit report. Mill champ contends that the function of an internal auditor should be independent in order to review properly internal control systems, regardless of whether they are established by an organization's management, by examining, evaluating, and reporting all adequate information as a contribution to the proper, economic efficiency, and effective use of resources. Altamonte Springs (1999) has clarified that independence and objectivity are closely related as they involve the guaranteeing freedom to internal auditors as they carry out their functions. It therefore implies that internal auditors should conduct audit work without fear or favor (Aliyi, 2016).

2.2.12.3. COMPLIANCE

A compliance audit determines how well an organization sticks to rules and regulations, standards, and internal laws and codes of conduct.

2.2.12.4. MANAGEMENT SUPPORT

It includes response to audits findings. Dedication to support internal auditor in need help. In the lack of management support, the internal audit unit will be ineffective (Millichamp, 2002). Management can demonstrate its support for internal audit by emphasizing the value of independent and objective internal auditing in identifying areas for improving performance quality and by implementing the recommendations of internal audit (Dawuda et al., (2017).

A typical evaluation of IA performance is a comparison of the actual performance with the predefined objectives, including the measurement of the achieved effectiveness and efficiency (Beckmerhagen, Berg, Karapetrovic, & Willborn, 2004; Shu, Li, Wang, & Zhang, 2010). The term “effectiveness” has been defined as “the capacity to obtain result that is consistent with target objective” (Arena & Azzone, 2009). Dittenhofer (2001), however, defined the term as “the achievement of a desired condition”. Although this condition is often not well defined, it can be measured in degrees. Efficiency, on the other hand, relates to the degree that the organization utilizes its resources in producing measurable outputs (Dittenhofer, 2001). Aligned with the common understanding of the terms, effectiveness is “doing the right thing”, while efficiency is “doing it well” (Chambers, 1993). According to Etzioni, et al., (1985: 54-55);

2.3. EMPIRICAL REVIEW

The focus of this paper is internal audit practice in the case of Abay bank. Even if many studies have been conducted, I can guess this paper will help to detect if any new issue arise due to different factors like time, technology etc. For the case of presenting study, the literatures regarding to the main factors that affect the internal audit practice in the case of Abay bank sc. Some of them described shortly here

A research conducted by OMER AHMED (2020) on “Assessment of internal audit practice in the case of united bank SC” His general objective was to assess or examine the internal audit practice in United Bank S.C. For the purpose of this study the researcher used descriptive design. The population of the research comprises all staff in both management and clerical position working in the internal audit department at United Bank S.C. Quantitative data used in the study. Furthermore, the sources of data were primary Developing and distribution of questionnaires to the concerned employees of United Bank S.C was the primary and major source of data gathering instrument. Accordingly, a sample of 30 branches were randomly selected a research approach can be categorized as quantitative research approach, qualitative research approach and mixed research approach. Quantitative research most often uses deductive logic, in which researchers start with hypothesis and then collect data which can be used to determine whether empirical evidence to support that hypothesis exists. The findings suggest that almost all internal audit employees of the internal audit department are degree holders and capable to compute

and effectively operating due professional. However, the internal audit process is not giving necessary training and development program that could enhance the auditor's skill and experience to audit all the banks systems by preparing proper plan for risk identification. The internal auditors are currently enjoying organizational independence in their day to day activities of audit work. (I.e. there is no conflict of interest and direct contact with the board and senior management)

A research conducted by Desalegn Misgana on (2017) on Internal auditing practice (a case study on commercial bank Ethiopia at toba branch) the general objective of the study was to assess auditing practice of commercial bank of Ethiopia Toba branch. This study was mainly concerned with the internal auditing practice in commercial bank of Ethiopia Toba branch. In order to achieve the stated objective, the study adopted mixed method research approach. Quantitative research approach has been useful to answer the question about the relationships among the variables with the purpose of explaining, predicting and controlling phenomena. Qualitative approach was carried out when the researcher wishes to understand meaning, look at, describe and understand experience, idea, belief and values. Open ended interview best characterizes this approach. For this study the researcher had used mixed approach to conduct the research, the researcher used descriptive research design? To meet the objective of the study the data would be collected through a method of non-probability or judgmental Since the sample technique that the researcher was use for this study is judgmental, out of 20 employees, the researcher selected 10 only So, from both questionnaire and interview the respondents agreed with enough auditing practice in the bank are existed According to the analysis of the analysis Internal control availability helps the bank to make appropriate estimation on risk The performances of internal auditors are good in terms of any things like; they are competent. Auditors sufficiently understand internal control system of the bank. Auditor's correct fraud through review with the accountants and manager of the staff after the problem occurred.

A research conducted by Zewdu Eskezia Gelaye in 2019 on The Assessment of Internal Audit Practices (The Case of Finance and Economic Development Office in Adama City) The general objective of the study was to" assess the internal audit practices of finance and economic Development office of Adama city." The research design employed in this study was descriptive type of research design. In the organization there are total employees of 64. From these 41 of them are employed in auditing and payment and accounting departments and those 41 employees become the target population of the study. The method of sampling technique used in this study was judgmental type of non-probability sampling a census. The researcher used both primary and secondary sources of data in order to get realistic data. The required data for the research was collected by using both open ended and close ended questionnaires. As the result of the finding internal audit practices in the organization is an objective assurance, independent and participates in the consulting activities designed to add value and improve organization operations. The organization internal control system over financial reporting and audit quality is medium. There is no

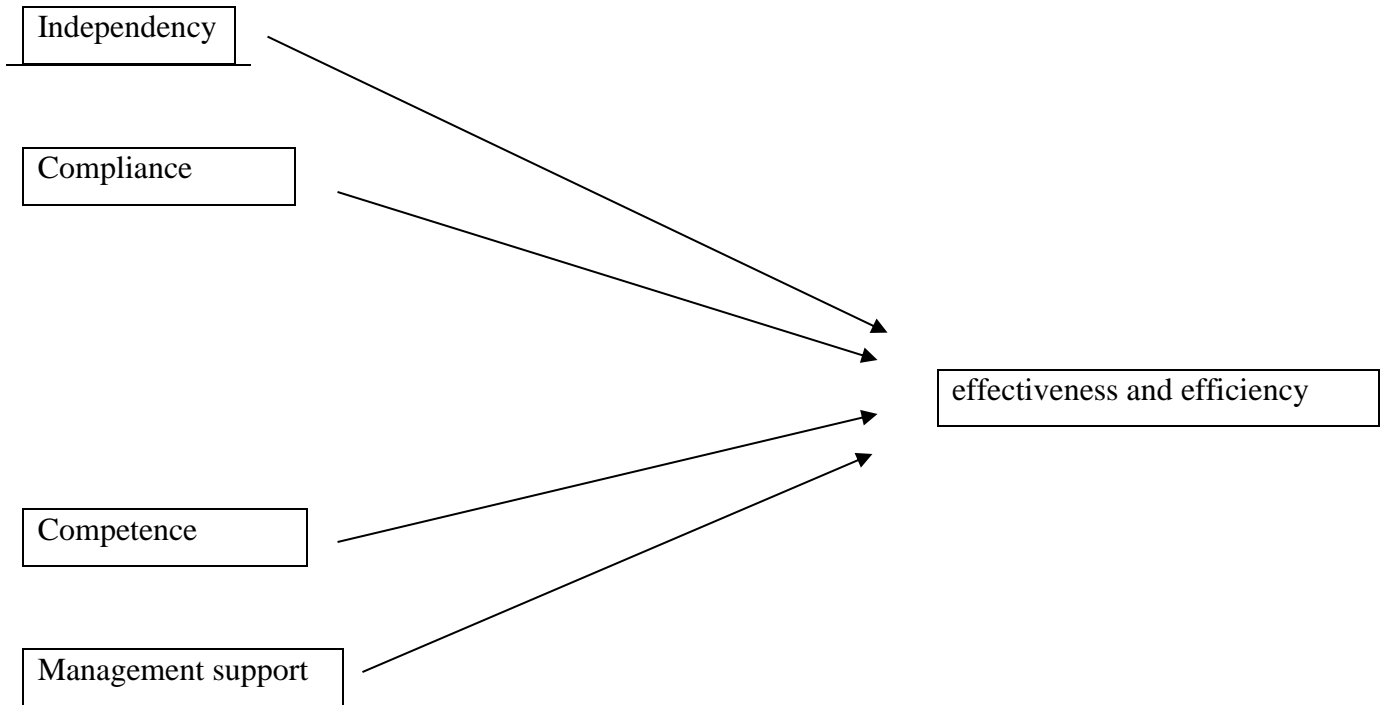
proper follow up (implementing) audit recommendation and this can minimize the effectiveness of internal audit practices that reduce the ability of add value to the organization.

An assessment of internal auditing practices: a case of selected public enterprises in east arsi zone. by: Addisu Gemedu The study's general objective was to “assess whether the internal audit practice in the selected enterprises is being conducted in conformity with the modern internal auditing assumptions and to identify the gaps and degree of deviations from these assumptions and recommend possible ways to cope up the problems identified from the research result, so as to promote the image of internal audit profession. A descriptive research was the preferred since it was meant to present a picture of the specific details of a business setting among other things. East Arsi zone was chosen to be the main area of the study to represent the whole country. Regarding the sampling methods to be used in selecting the respondents and the enterprises, the non-probability method of sampling was used in selecting the enterprises in which the research was conducted. The ultimate objectives of sampling are to select sample from the total population of 51 sample size of (36) respondents representing the selected public enterprises in the East Arsi zone were selected based on the appropriateness for the research topic purposively. The method of data collection includes interviews and administration of questionnaires. Interviews were conducted at the management level to collect data for the study as well as questionnaires. Both structured and unstructured interviews were employed as a tool for collecting data. In this study the researcher adopted qualitative research approach. In the enterprises surveyed, the Internal Audit practice is highly characterized by its deep devotion to conducting the traditional routines like financial audit, compliance audit, internal control and the like than the modern ones such as risk assessment, consultation to management and recommendations etc. The IA staff in the surveyed enterprises is composed of and recruited on an accountancy base. One of the challenges that the IAF is confronting is misunderstanding of its appropriate role In addition to the misconception of the IAF, failure to implement the manual properly is another problem. In this study the manual that is available in the enterprises is clear and not that much confusing. The problems are not from the clarity of the manual but from the gradually developed misconceptions about the IAF (Internal audit function.)

2.4. GAPS IN THE LITERATURE

By the definition of IIA, the internal audit is expressed as a profession that is moving from its traditional view (approach) to the new risk-based view (approach). So these researches try to investigate the problems concerned internal audit practice. Since time value as well no research written on internal audit practice in the case of Abay bank SC, this paper tries to answer this new issue with new idea. Since internal auditing in today is different from internal auditing yesterday and before, it is under a continuous review and progress (Reding et al. 2013).

2.5. CONCEPTUAL FRAMEWORK



CHAPTER-THREE

3. RESEARCH DESIGN

3.1. INTRODUCTION

The research is tries to find out new information or relationship between the variables stated in the research. So this type of research best explained by explanatory type of. Descriptive research used to try and determine the characteristics of population or particular phenomenon. Using descriptive research you can identify patterns I the characteristics of a group to essentially establish everything you need to understand apart from why something is happened.(<https://www.qualiries.com>.) .Additionally I want to use quantitative here because it describes it than others. Quantitative research uses positivist knowledge claims (such as cause and effect thinking, reduction to specific variables and hypothesis, use of measurement and observation, and test of theories) employs strategies of inquiry such as experiments and surveys and collect data on predetermined instrument that yields statistical data (Creswell, 2009). Quantitative methods strive to control bias so that fact can be understood in an objective way. Quantitative research is the process of collecting and analyzing numerical data.

3.2. TARGET POPULATION

Even if Abay Bank SC has more than 500 branches in Ethiopia due to financial limitations and time it is very difficult to cover all these branches. Therefore, the research alert only on 15 branches. It includes client relation officers, accountants, auditors, and branch managers.

3.3. Types and Sources of Data Collection

Primary data is so called first-hand information and is such the authors themselves have collected. Secondary data is second-hand information, which means data and/or other information collected by others. (Denzin and Lincoln, 2015). In this study primary data is the source for gathering information. Constructing and distribution of questionnaires (the sources the questioner are the objectives itself, from it I can construct the question) to the respondent which means employees of Abay bank SC will be the primary and major source of data gathering tool. Review of the related literatures especially journals, research articles, and websites will be used as a secondary means (for developing the questionnaire) of data gathering instruments for the study. The data was expected to be consistent, because the questionnaire was distributed to the staffs of the bank and as a line of work the respondents expected to be fair and their response hit upon the soundness of the study.

3.4. SAMPLING TECHNIQUE

In order to achieve the target of the study the data will be gathered using a method of purposive type of research in which a sample from the target population used for the study. Purposive sampling is a non-probability sampling in which researchers rely on their own judgment when choosing members of population to participate in the survey. Accordingly, a sample of 15 branches will be randomly selected from a target population of 500 branches. Taking large sample is difficult because of time and financial hindrance. Therefore, questionnaires will be distributed to the staff which consists of branch manager, assistant branch manager, accountants, branch auditors, credit officers and as well client relation officer.

3.5. METHODS OF DATA ANALYSIS

First the data was collected; then data processed. The raw data converted into suitable form for analysis and interpretation. This is realized through series of activities including editing, coding, entry, and tabulation. The descriptive statistics methods by measure of central tendency (mean) values, frequency, percentage, measure of central dispersion (standard deviation). In order to check whether the responses are complete and appropriate Additionally Statistical Package for Social Sciences (SPSS) software package will be used. Analyzed, data was processed on the basis of Likert's scale by reducing it to the ordinal. The rating so recorded was assigned rating values ranging from 1 to 5 respectively.

3.6. MEASURES

3.6.1. *DEPENDENT VARIABLE*

Internal audit practice: - how efficiency and effectiveness of internal audit practices in the case of Abay Bank SC.

3.6.2. *INDEPENDENT VARIABLES*

This study was focused on four independent variables that might have a contact on the internal audit practice in Abay bank sc.

Those predicted variables

- 3.6.2.1. **COMPETENCY:** Technical competence is essential for effectiveness of internal audit function (Mihret et al. 2010). It consists of people's awareness, practical skills and interpersonal skill. Competent internal auditors have the ability to conduct a systematic and disciplined audit to enhance the effectiveness of internal audit (Aliyi, 2016).

- 3.6.2.2. **COMPLIANCE:** is an independent evaluation to ensure that an organization is following external laws, rules, and regulations or internal guidelines, such as corporate bylaws, controls, and policies and procedures. □
- 3.6.2.3. **ORGANIZATIONAL INDEPENDENCE:** -this is reflected when an auditors free from any management interference when they are performing their daily activities. Altamonte Springs (1999) has clarified that independence and objectivity are closely related as they involve the guaranteeing freedom to internal auditors as they carry out their functions.
- 3.6.2.4. **MANAGEMENT SUPPORT:** this is revealed when there is enough support like giving training to enhance their knowledge of audit and giving information etc. The prominence of the relationship between internal audit and senior management is clear in determining independence and objectivity of internal auditor (Al-Twajry et al. 2003).

CHAPTER-FOUR

RESULTS AND DISCUSSION

Introduction

The primary concern of this study was to investigate Assessment of internal audit practices in the case of Abay bank SC. Specifically, how the internal audit is functioning in connected to the effectiveness and efficiency of auditor, competence of the auditor, compliance of audit, independence of auditor and management support to audit. The purpose of this part is thus to present, analyze, interpret and discuss the data acquired in the study.

4.1 RESPONSE RATE

Questionnaires designed for this particular research was distributed to 70 staff comprise of different position in different branch. This consists of client relation officer, accountants, and auditors' works in branch as well head office, assistant managers and managers of the bank.

4.1.1 *DEMOGRAPHIC CHARACTERISTICS OF THE RESPONDENTS*

The investigator desired to determine the sex of the respondents and therefore requested the respondent to indicate their gender. The study found that majority of the respondents as 72% were males whereas, 28% of the respondents were females.

Table 4.1 Gender of respondents

	Frequency	Percent	Valid Percent	Commutative Percent
Valid Female	25	36	36	36
Male	45	64	64	64
Total	70	100	100	

Source: Questionnaire results analysis by SPSS

The researcher requested the respondents to point out their age in years and the finding of the study reveal that among the respondents, only 4 of them aged from 36-45. Utmost of the respondents are aged between 26-35 (63%), Whereas 22(31%) are aged between 20-25.

Table 4.2 Ages of the respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid from year 20-25	22	31	31	31
26-35	44	63	63	63
36-45	4	6	6	6
Above 45	0	0	0	100
Total	70	100	100	

Source: Questionnaire results analysis by SPSS

The study also sought from the respondents about their educational status and as depicted in The table below shows 49% graduated in accounting,11% in economics,28% in management and the rest 14% graduated in other fields.

Table 4.3 Field of Study

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Accounting	34	49	49	49
Economics	8	11	11	11
Management	18	28	28	28
Other	10	14	14	14
Total	70	100	100	100

Source: Questionnaire results analysis by SPSS

The study similarly gathered from the respondents about their educational status and the majority of the sample group grasps a degree which comprising of 58 (82.8%) and the remaining 4 (17.2%) were master's holders.

Table 4.4 Level of Education

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Degree	58	82.8	82.8	82.8
Masters	12	17.2	17.2	100
Total	70	100	100	

Source: Questionnaire results analysis by SPSS

The researcher requested the respondents to point out the number of years they served in Abay Bank S.C and the finding of the study reveal the respondent have served the Bank from less than one year up to less than 9 years and above. From the respondents 17.2% of them worked less than ten years. Most of the respondents have served the bank between one and eight years comprising 78.5% of the study group, and the remaining 4.3% served the bank above nine years.

Table 4.5 Experience of Respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid <1year	12	17.2	17.2	17.2
1year up to 4year	42	60	60	60
5year up to 8year	13	18.5	18.5	18.5
9year and above	3	4.3	4.3	100
Total	70	100		

Source: Questionnaire results analysis by SPSS

The researcher requested respondents to indicate their position in the bank and find out that the sample population is largely dominated by internal auditors with 93.3% and the remaining 6.7% were internal audit manager and section head.

Table 4.6 Position of Respondents

	Frequency	Percent	Valid Percent	Commutative percent
Valid Manager	10	14	14	14
Assistant manager	5	7	7	7
Accountant	8	11	11	11
Auditor	27	39	39	39
Cashier	5	7	7	7
Client relation officer	15	22	22	100
Total	70	100	100	

Source: Questionnaire results analysis by SPSS

4.2 REGARDING EFFECTIVENESS AND EFFICIENCY

	Q1A	Q1B	Q1C	Q1D	Q1E	Q1F	Q1G	Q1H	Q1I	Q1J
N Valid	70	70	70	70	70	70	70	70	70	70
Missing	0	0	0	0	0	0	0	0	0	0
Mean	4.09	4.2	3.81	4.16	4.2	4.2	4.09	4.06	4.23	4.17
Std. Deviation	.94	.75	1.09	0.77	.79	.67	.69	.81	.73	.70

Table 4.7 Descriptive Statistics for effectiveness and efficiency

Table 4.7.1 the internal auditors provide service based on banks strategy and risk based audit plan

No	Questioner	Alternative	Respondents	
			No	%age
Q1 A	The internal auditors provide service based on banks strategy and risk based audit plan	SA	25	36
		A	33	47
		N	7	10
		D	3	4
		SD	2	3
			70	100

Source: Questionnaire results analysis by SPSS

The audit strategy sets out in general terms how the audit is to be conducted and sets the scope, timing and direction of the audit. The audit strategy then guides the development of the audit plan, which contains the detailed responses to the auditor's risk assessment. Additionally the variance in perception among respondent that participated in the study was exhibited by the average standard deviation value of 0.94 and taken as low. The variation in response shown by standard deviation result less than 1.00 shows that the respondents were almost similar answers. Concerning this question as per mean value 4.09 shows, most of the respondents agreed with internal auditors provide service based on banks strategy and risk based audit plan, Comprising of 36% and 47% respectively to carry out the audit activity of the bank. With the exception of total of 10% who responded as neutral, 10% disagree and 3%strongly disagree.

From this analysis we can easily understand that auditors are working on the basis of banks risk based audit plan and this risk-based auditing ensures that the internal audit activity is focusing its efforts on providing assurance and advisory services related to the organization's top risks. Through risk-based auditing, the internal audit activity helps executive management and the board understand whether the organization's risk management processes are sufficient and how to better achieve organizational objectives through good governance, risk management, and control.

Table 4.7.2 internal auditors have Professional competence, including the knowledge and experience which is vital to the effectiveness of the bank's internal audit task

No	Questioner	Alternative	Respondents	
			No	%age
Q1B	Internal auditors have Professional competence, including the knowledge and experience which is vital to the effectiveness of the bank's internal audit task.	SA	26	37
		A	34	49
		N	8	11
		D	2	3
		SD	0	0
			70	100

Source: Questionnaire results analysis by SPSS

A knowledge audit is an investigation of the strengths and weaknesses of an organization's knowledge, and of the opportunities and threats that face it. (Auditing Knowledge by Olivier Serrat). The variance in perception among respondent that participated in the study was exhibited by the average standard deviation value of 0.75 and taken as low. The standard deviation shows that the respondent's perceptions were more or less similar about the questions mentioned. As the table shows clearly, the mean value 4.2 indicates that majority of respondents' agreement towards Professional competence, including the knowledge and experience of internal auditors. Moreover, majority of respondents constituting 37% were strongly agree and 49% were agreed with the existence Internal auditors have Professional competence, including the knowledge and experience which is vital to the effectiveness of the bank's internal audit task and the remaining 11% were neutral 2.9% were disagree. This implies that bank's auditors have knowledge and experience that is very necessary the banks growth. Competence consists of knowledge and experience, which positively and significantly influence audit quality, Rahmawati (2013).

Table 4.7.3 the auditors have the capacity to collect and understand information, to examine and evaluate audit evidence and to communicate with the management of the internal audit function

No	Questioner	Alternative	Respondents	
			No	%age
Q1C	The auditors have the capacity to collect and understand information, to examine and evaluate audit evidence and to communicate with the management of the internal audit function.	SA	20	29
		A	30	43
		N	10	14
		D	7	10
		SD	3	4
			70	100

Source: Questionnaire results analysis by SPSS

By evaluating the scope of work performed, the auditor determines whether she/he is able to draw a conclusion. If the scope of work is insufficient, the auditor might consider performing further procedures or modifying the opinion or conclusion. According to the mean, value 3.81 results most of the respondents agreed and the variance in perception among respondent that participated in the study was exhibited by the average standard deviation value of 1.09 and taken as high. The variation in response shown by standard deviation result greater than 1.00 shows that the respondents were different answers. Similarly, comprises 29% were strongly agree 43% were agreed, 14% were neutral whereas 10% and 4% were disagree and strongly disagree with the idea that the auditors have the capacity to collect and understand information, to examine and evaluate audit evidence and to communicate with the management of the internal audit function. This implies that banks internal auditors are well aware of how to collect and understand information as well evaluate evidence and communicate with the management. While similar competencies of ethical conduct, vigilance, interpersonal skills, and discretion are considered core for good auditors (Lark et al., 2018

Table 4.7.4 internal auditors have the skills required for auditors that include the abilities to judge outcomes and make an impact at the highest level of the organization

No	Questioner	Alternative	Respondents	
			No	%age
Q1D	Internal auditors have the skills required for auditors, which include the abilities to judge outcomes and make an impact at the highest level of the organization.	SA	28	40
		A	30	43
		N	10	14
		D	2	3
		SD	0	0
			70	100

Source: Questionnaire results analysis by SPSS

Some of the most important skills that auditor should possess include: Analytical Skills: means auditors must be able to analyze large amounts of data, identify patterns, and draw conclusions. Communication Skills: means auditors must be able to clearly communicate their findings, both in writing and verbally. Integrity: means auditors must maintain a high level of honesty and objectivity. They must be honest and ethical in their work and not be swayed by pressure from clients or management (Essential audit skill 2024). Above half of internal auditors that replied regarding Internal auditors have the skills required for auditors which include the abilities to judge outcomes and make an impact at the highest level of the organization supposed was healthy and it was sustained by the average mean values 4.16 and the variance in perception among respondent that participated in the study was exhibited by the average standard deviation value of 0.77 and taken as low. The standard deviation shows that the respondent's perceptions were more or less similar about the questions mentioned. Besides, middle-of-the-road of respondents constituting 83% were agreed. On contrary around 14% of the respondent remain neutral and 3% were disagreed with this issue. Simply this implies that internal auditor is rich of skill required to judge out comes and to influence on the organization.

Table 4.7.5 the internal auditors are straightforward, honest and truthful which is the foundation for confidence on the internal auditor's professional judgment. Competence is a characteristic of someone who has the skill, knowledge, and the ability to carry out a job. (Indriasari and Nahartyo, 2013).

No	Questioner	Alternative	Respondents	
			No	%age
Q1E	The internal auditors are straightforward, honest and truthful which is the foundation for confidence on the internal auditor's professional judgment.	SA	28	40
		A	30	43
		N	10	14
		D	2	3
		SD	0	0
			70	100

. Source: Questionnaire results analysis by SPSS

Auditors are expected to exhibit unwavering honesty, transparency, and truthfulness throughout the auditing process. This entails accurate and faithful reporting of an organization's adherence to management system standards, while also being forthright about any potential conflicts of interest (Essential audit skill of 2024). It could be seen from the abovementioned table that majority of the respondent the internal auditors are straightforward, honest and truthful which is the foundation for confidence on the internal auditor's professional judgment responded as fit by the average mean values of 4.2 and the variance in perception among respondent that participated in the study was exhibited by the average standard deviation value of 0.79 and taken as low. The standard deviation shows that the respondent's perceptions were more or less similar about the questions mentioned. Besides, 40% of the respondents replied strongly agree, 43% of the respondents replied agree, 14% of the respondents remain neutral 2% replied strongly disagree. Meanwhile the majority of the respondents were strongly agreeing, we can conclude the internal auditor's works in branches as well in audit department are straightforward, honest and truthful. Maintaining confidentiality in banking is not only a legal obligation, but also a competitive advantage and a customer expectation. By following these best practices, banks can demonstrate their commitment to customer trust and loyalty, and reduce the risks and costs of data breaches and cyber-attacks. Sep 20, 2023Last updated on Sep 20, 2023

Table 4.7.6 internal auditor respect the confidentiality of information acquired during the course of performing service and not discloses such information

No	Questioner	Alternative	Respondents	
			No	%age
Q1F	Internal auditor respect the confidentiality of information acquired during the course of performing service and not disclose such information	SA	20	31
		A	38	60
		N	8	6
		D	4	3
		SD	0	0
			70	100

Source: Questionnaire results analysis by SPSS

Confidential information means any information that the auditor receives in the course of conducting the audit, and which pertain explicitly to the business of the client, as well as any other information that can be reasonably deemed confidential information from the client's position. Regarding Internal auditors respect the confidentiality of information acquired during the course of performing services and not disclose such information said was healthy and it was supported by the average mean values, 4.2 and the variance in perception among respondent that participated in the study was exhibited by the average standard deviation value of 0.67 and taken as low. The standard deviation indicated that the respondent's response towards this issues were more or less similar .Likewise bulk of respondent's consisting of 31% were strongly agree, 60% were agree while the rest 6 and 3% were feel neutral and disagree concerning that concerning Maintaining confidentiality in banking is not only a legal obligation, but also a competitive advantage and a customer expectation. By following these best practices, banks can demonstrate. Merchant and White (2017) who indicated internal control system as designed to ensure that staffs are acting in their organization best interest. To serve the organization's best interest typically means implementing the business objective as intended or try to accomplish the vision of the organization

Table 4.7.7 internal auditors act in a manner consistent with the good reputation of the profession and refrain from any conduct which might bring discredit to the profession.

No	Questioner	Alternative	Respondents	
			No	%age
Q1G	Internal auditors act in a manner consistent with the good reputation of the profession and refrain from any bad conduct which might bring discredit to the profession	SA	18	26
		A	42	60
		N	8	11
		D	2	3
		SD	0	0
			70	100

Source: Questionnaire results analysis by SPSS

Having a good reputation is beneficial for an audit firm. It motivates auditors to provide high-quality audits, leading to improved audit reporting and audited financial statements. Additionally, a good reputation enhances the firm's respect among stakeholders and helps in earning their trust. However, it is important to note that a good reputation can also bring about burdens and liabilities, especially following non-audit service failures. Overall, a good reputation is valuable for an audit firm as it influences auditor behavior, matters to capital market participants, and contributes to the firm's market position and success. As the average mean 4.09 reflects, that majority of the internal auditors believed that internal auditors act in a manner consistent with the good reputation of the profession and refrain from any conduct which might bring discredit to the profession by referring the above table and the variance in perception among respondent that participated in the study was exhibited by the average standard deviation value of 0.69 and taken as low. The standard deviation indicated that the respondent's response towards this issues were more or less similar. To put it in detail 26% strongly agree, 60% were agree while 11% and 3% remain neutral and disagree respectively with it. This implies that internal auditors are honest in their daily activities which is necessary for to the organization to be competitive. According to Baharud-din (2014), competency influences efficiency of the auditor, effectiveness of the internal audit and the quality of the audit work done in an organization.

Table 4.7.8 internal auditors report is on time and very useful for management decision making.

No	Questioner	Alternative	Respondents	
			No	%age
Q1H	Internal auditors report is on time and very useful for management decision making.	SA	20	29
		A	38	54
		N	8	11
		D	4	6
		SD	0	0
			70	100

Source: Questionnaire results analysis by SPSS

An audit report refers to a report that consists of the auditor's opinion on the organization's financial statements. The opinion on financial statements reflects the accuracy, truth, and fairness of the statements. The goal of an auditor's report is to document reasonable assurance that a company's financial statements are free from error. Along with balance sheets, profit & loss statements, and director's reports, auditor's reports make up part of a company's statutory accounts. Whereas reviewing the analysis results of the questionnaire shows that the average mean values 4.06 concerning internal auditors report is on time and very useful for management decision making was well as mean indicated us and the variance in perception among respondent that participated in the study was exhibited by the average standard deviation value of 0.81 and taken as low. The standard deviation indicated that the respondent's response towards this issues were more or less similar. Likewise, to describe it 29% were strongly agree, 54% were agree, 11% were neutral and the rest 4% were disagree. This shows us that internal auditors report is presented on time when it necessary for decision making to management or other necessary organ. Timely and accurate reporting is crucial for effective credit risk management. It enables banks and financial institutions to identify and address potential credit risks in a timely manner, make informed decisions, and comply with regulatory requirements. Timely reporting is important because it allows stakeholders to make informed decisions based on current information. Accurate reporting is vital because it ensures that stakeholders have access to reliable information. According to Baharud-din (2014), competency influences efficiency of the auditor, effectiveness of the internal audit and the quality of the audit work done in an organization. Rose. A.M, Rose .J.M C.S and Norman (2013) who found that professional

competency has a direct relationship with internal audit effectiveness indicating that professional competency increases compliance with audit plans and preparing clear reports to management.

Table 4.7.9 internal auditor’s plays important role in banks performance achievement

No	Questioner	Alternative	Respondents	
			No	%age
Q11	Internal auditors plays important role in banks performance achievement.	SA	26	37
		A	36	51
		N	6	9
		D	2	3
		SD	0	0
			70	100

Source: Questionnaire results analysis by SPSS

Bank performance is the capacity of a bank to achieve its objectives, create value for its stakeholders and outperform its competitors (Chenini & Jarboui, 2018). It is affected by specific determinants, such as market concentration, economic growth, regulations etc. The averages mean value of 4.23 reflects that internal auditor plays important role in banks performance achievement and the variance in perception among respondent that participated in the study was exhibited by the average standard deviation value of 0.73 and taken as low. The standard deviation indicated that the respondent’s response towards this issues were more or less similar. Likewise, the table above clearly shows us majority of the participant in the questioner responded agree with the issue to make it clear around 37% were strongly agree 51% were agree whereas 9% and 3% remain neutral and disagree respectively regarding this issue. The internal auditor can participate in banks performance achievement by evaluates risk exposures relating to the organization's governance, operations and information systems. This infers that the internal auditors are providing recommendations for improvement in those areas where opportunities or deficiencies are identified. Lenz.et al, (2014) who indicated that that internal audit is important as it is considered as the main component towards the efficiency of organizational performance.

Table 4.7.10 an internal auditor adds value to the bank

No	Questioner	Alternative	Respondents	
			No	%age
Q1J	An internal auditor adds value to the bank.	SA	22	31
		A	40	57
		N	6	9
		D	2	3
		SD	0	0
			70	100

. Source: Questionnaire results analysis by SPSS

The benefits of audits include greater efficiency, analysis of finances and possible financial improprieties, and risk assessment. Internal audits can be used by companies to keep abreast of what is happening in the company and to prevent internal fraudulent activities (<https://study.com>). They provide useful insights, identify competitive advantage, protect your assets, act as a third line, and guarantee good performance. It could be observed from the foregoing table that the average mean value of 4.17 shows that majority of respondents agree regarding that an internal auditor adds value to the bank and the variance in perception among respondent that participated in the study was exhibited by the average standard deviation value of 0.70 and taken as low. The standard deviation indicated that the respondent's response towards this issues were more or less similar. Furthermore, respondents replied comprising of 31% strongly agree ,57% were agree whereas the rest 9% and 3% were remain neutral and disagree respectively with this issue. This displays us most of the respondents believe that auditors can play their role in performance of the bank. The added value of the internal audit function extends well beyond its traditional role of financial compliance and risk management. D'Onza et al (2015) who found that companies internal control system is significantly correlated with the value internal audit adds to the organization by implementing a systematic approach to improving and evaluating organization's internal controls it attains its effectiveness

4.4 REGARDING COMPETENCE

	Q2A	Q2B	Q2C	Q2D	Q2E	Q2F	Q2G	Q2H	Q2I	Q2J
N Valid	70	70	70	70	70	70	70	70	70	70
Missing	0	0	0	0	0	0	0	0	0	0
Mean	4.11	4.11	4.2	4.08	4.02	4.14	3.97	4.02	3.91	4
Std. Deviation	0.86	0.71	0.57	0.55	0.70	0.72	0.70	0.65	0.69	0.68

Table 4.8 Descriptive Statistics for audit competence

Table 4.8.1 internal auditor staff has the abilities to identify, solve problems and work in teams.

No	Questioner	Alternative	Respondents	
			No	%age
Q2A	Internal auditor staff has the abilities to identify, solve problems and work in teams.	SA	20	28
		A	40	58
		N	4	6
		D	6	9
		SD	0	0
			70	100

Source: Questionnaire results analysis by SPSS

Auditors need to use their analytical skills to examine information, interpret it, and present innovative and alternative solutions to a problem. Regarding Internal auditor staff has the abilities to identify, solve problems and work in teams was glowing as shown by mean result of 4.11 and the variation in perception among respondents that participated in filling the questionnaire was low and represented by the average standard deviation value 0.86. The standard deviation indicated that the respondent's response towards this issues were more or less similar. As well as the above table

indicates, most of the respondents agreed comprising of 20 (28%) and 40 (58%) strongly agree and agree respectively. With the exception of total of 4(6%) who responded as neutral and 6(9%) disagree. So this illustrates us that internal auditors have the abilities to identify and solve problem. Technical skills needed to auditors including Problem-solving tools and techniques (Zsidisin et al., 2004)

Table 4.8.2 Internal auditor staff has the abilities to gather, evaluate evidence and to present, discuss at times defend

No	Questioner	Alternative	Respondents	
			No	%age
Q2B	Internal auditor staff has the abilities to gather, evaluate evidence and to present, discuss at times defend.	SA	20	29
		A	40	57
		N	8	11
		D	2	3
		SD	0	0
			70	100

Source: Questionnaire results analysis by SPSS

Audit procedures to obtain audit evidence can include inspection, observation, confirmation, recalculation, performance and analytical procedures, often in some combination, in addition to inquiry. Different sources are explored by the team to gather such evidence as direct interviews with suspects, interviews of colleagues of the suspect, observation of the behavior of the employee or suspect, walkthroughs of transactions and systems, third-party confirmations, physical checks, or counting of physical assets. Concerning internal auditor staff has the abilities to gather, evaluate evidence and to present, discuss at times defend as shown by mean result of 4.11 and the variation in perception among respondents that participated in filling the questionnaire was low and represented by the average standard deviation value 0.71. The standard deviation indicated that the respondent's response towards this issues were more or less similar. Besides, table designates, most of the respondents agreed comprising of 29% were strongly agree and 57% were agree. With the exception of total of 11% who responded as neutral and 3% disagree. From this analysis we can easily

understood that internal auditor staff has the abilities to gather, evaluate evidence and to present, discuss at times defend. This shows us that internal auditors have the abilities to gather, evaluate evidence and to present and discuss as well as. Indriasari and Nahartyo, 2013). Auditor who has sufficient knowledge and experience and can clearly carry out audits objectively, carefully and thoroughly is called auditor competence (Agusti, 2013)

Table 4.8.3 internal auditor staff has the abilities to informal, written and spoken communication and to treat sensitive confidential information appropriately

No	Questioner	Alternative	Respondents	
			No	%age
Q2C	Internal auditor staff has the abilities to informal, written and spoken communication and to treat sensitive confidential information appropriately.	SA	20	29
		A	44	63
		N	6	9
		D	0	0
		SD	0	0
			70	100

. Source: Questionnaire results analysis by SPSS

Audit report writers need to know how to write clear, effective reports to help organizations identify and manage business risks. Participants leave this workshop with usable skills for writing effective internal audit reports that clearly identify risks and spur management to act. From the findings in general the mean value was 4.2 and as table shows majority of respondents agrees and the variation in perception among respondents that participated in filling the questionnaire was low and represented by the average standard deviation value 0.57. The standard deviation indicated that the respondent's response towards this issues were more or less similar .Specifically constituting 29% and 63% were agreed with the questioner regarding internal auditor staff has the ability to informal, written and spoken communication and to treat sensitive confidential information appropriately. This implies that internal auditor' staffs have filled with the abilities like written, spoken. Deis and Giroux (2007) explained that the probability of finding a violation depends on the

auditor's technical ability competence. Communication and accountability are considered important competencies for healthcare providers,

Table 4.8.4 internal auditors understand the entity and environment, performs analytical procedure and review performance of audit.

No	Questioner	Alternative	Respondents	
			No	%age
Q2D	Internal auditors understand the entity and environment, performs analytical procedure and review performance of audit.	SA	14	20
		A	48	69
		N	8	11
		D	0	0
		SD	0	0
			70	100

Source: Questionnaire results analysis by SPSS

Performance audits answer questions such as: First are programs achieving their intended objectives or outcomes, second are services provided efficiently and/or equitably thirdly are legal requirements and rules being met. (Seattle voters created the Office of City Auditor 1991).It could be understood from the respondents' results that internal auditors understand the entity and environment, performs analytical procedure and review performance of audit well as the mean value 4.08 showed and the variation in perception among respondents that participated in filling the questionnaire was low and represented by the average standard deviation value 0.55. The standard deviation indicated that the respondent's response towards this issues were more or less similar .In addition, the table above shows their 89% respondents believe that the internal audit staffs internal auditors understand the entity and its environment perform analytical procedures and review the performance of an audit. Technical skills include data collection, and analysis tools and techniques. (Zsidisin et al, 2004).

Table 4.8.5 internal auditors assess the risk within an organization’s internal control structure

No	Questioner	Alternative	Respondents	
			No	%age
Q2E	Internal auditors assess the risk within an organization’s internal control structure.	SA	16	23
		A	42	60
		N	10	14
		D	2	3
		SD	0	0
			70	100

Source: Questionnaire results analysis by SPSS

Audit risk is the risk that the auditor expresses an inappropriate audit opinion when the financial statements are materially misstated, i.e., the financial statements are not presented fairly in conformity with the applicable financial reporting framework. Majority of respondent that participated in responding the questionnaire regarding Internal auditors assess the risk within an organization’s internal control structure was fine by the mean 4.02 and the variation in perception among respondents that participated in filling the questionnaire was low and represented by the average standard deviation value 0.70. The standard deviation indicated that the respondent’s response towards this issues were more or less similar .In addition, as the table shows majority of respondents constituting of 23% were strongly agree, 60% were agree, 14% were neutral 3% were disagree with the auditor’s action concerning to risk assessment. Technical skills include understanding business, risk analysis, and control assessment techniques, identifying types of controls, governance, risk, and control tools and techniques, business process analysis, data collection, and analysis tools and techniques (Zsidisin et al., 2004).

Table 4.8.6 internal auditors have professional knowledge and practical experience relevant to that industry or environment required

No	Questioner	Alternative	Respondents	
			No	%age
Q2F	Internal auditors have professional knowledge and practical experience relevant to that industry or environment required.	SA	22	31
		A	38	54
		N	8	11
		D	2	3
		SD	0	0
			70	100

Source: Questionnaire results analysis by SPSS

Majority of internal auditors that replied regarding internal auditors have professional knowledge and practical experience relevant to that industry or environment required believed was healthy and it was sustained by the average mean values 4.14 and the variation in perception among respondents that participated in filling the questionnaire was low and represented by the average standard deviation value .072. The standard deviation indicated that the respondent's response towards this issue was more or less similar .In addition, according to the analysis results from table most of the respondents which comprise 85% agreed. On the other hand, 11% and 3% neutral and disagree with this condition. Competence is a characteristic of someone who has the skill, knowledge, and the ability to carry out a job. (. According to Pain (2018), an auditor must have extensive experience in auditing practices to be able to meet the needs of the clients.

Table 4.8.7 the internal auditor staff acquires appropriate ongoing training in order to meet the growing banking activities and about the introduction of new products.

No	Questioner	Alternative	Respondents	
			No	%age
Q2G	The internal auditor staff acquires appropriate ongoing training in order to meet the growing banking activities and about the introduction of new products.	SA	14	20
		A	42	60
		N	12	17
		D	2	3
		SD	0	0
			70	100

Source: Questionnaire results analysis by SPSS

Internal audit profession training is essential for several reasons:-1. Up-to-date knowledge, to compliance with standards , to improved audit quality, to increased efficiency and to develop career. It could be observed from the foregoing table that majority of internal auditor's staff acquires appropriate ongoing training in order to meet the growing banking activities and about the introduction of new products as healthy by the average mean values of 3.97 and the variation in perception among respondents that participated in filling the questionnaire was low and represented by the average standard deviation value 0.70. The standard deviation indicated that the respondent's response towards this issues were more or less similar .Besides as table indicates 80% of respondents which comprises that expressed their agreement, the others 17% and 3% reflect their neutrality and disagreement respectively. This suggests that internal auditors are capable of doing their work without any restriction because they are aware of any new products. The first general standard requires the auditor to conduct the audit with one or more persons who have the appropriate skills and training. (Halim, 2008).

Table 4.8.8 internal auditors have the knowledge of audit principles, practices, techniques and client products to carry out their daily operation.

No	Questioner	Alternative	Respondents	
			No	%age
Q2H	Internal auditors have the knowledge of audit principles, practices, techniques and client products to carry out their daily operation.	SA	14	20
		A	46	66
		N	8	11
		D	2	3
		SD	0	0
			70	100

Source: Questionnaire results analysis by SPSS

The basic principles of auditing are confidentiality, integrity, objectivity, independence, skills and competence, work performed by others, documentation, planning, audit evidence, accounting system and internal control, and audit reporting <https://www.vedantu.com> .Regarding internal auditors have the knowledge of audit principles, practices, techniques and client products to carry out their daily operation could be represented by the mean value of 4.02 the results reflected that internal auditors have knowledge of audit principles and client products and the variation in perception among respondents that participated in filling the questionnaire was low and represented by the average standard deviation value 0.65. The standard deviation indicated that the respondent's response towards this issues were more or less similar .Furthermore from the table we can analyze as follows 14(20%) were strongly agree, 46(66%) were agree, 8(11%) were neutral,2(3%) were disagree Competent internal auditors have the ability to conduct a systematic and disciplined audit to enhance the effectiveness of internal audit (Aliyi, 2016).

Table 4.8.9 the internal audit department has enough number of staff who is accountable to commence auditing activities and special investigation

No	Questioner	Alternative	Respondents	
			No	%age
Q2I	The internal audit department has enough number of staff who is accountable to commence auditing activities and special investigation.	SA	12	17
		A	42	60
		N	14	20
		D	2	3
		SD	0	0
			70	100

Source: Questionnaire results analysis by SPSS

Enough number of staff are particularly important in terms of maintaining service levels and quality, and they generally include assessment of individual employee functional or technical skills; identification of key individuals or groups of workers whose knowledge, experience, and institutional memory are critical to the effective <https://www.ppiaf.org> › toolkits ›. As the average mean values for the above question is 3.91 indicates that above half of the sample of Abay bank SC respondent believed that the internal audit department has enough number of staff who is accountable to commence auditing activities and special investigation and the variation in perception among respondents that participated in filling the questionnaire was low and represented by the average standard deviation value 0.69. The standard deviation indicated that the respondent's response towards this issues were more or less similar .Also, comprising of 17% were strongly agree, 60% were agree, 20% were neutral and 3% were disagree. This recommends that the branch can launch auditing activity with no restriction since it has enough numbers of staff. Common levels of competencies for internal staff include Staff training and development, Behavioral skills competencies that consist of a Change catalyst, Staff management, Team building/creating group synergy, Work independently and Leadership (Umutoni, 2017)

Table 4.8.10 internal auditors have educational background which is required for position to carry out their work.

No	Questioner	Alternative	Respondents	
			No	%age
Q2J	Internal auditors have educational background which is required for position to carry out their work.	SA	14	20
		A	44	63
		N	10	14
		D	2	3
		SD	0	0
			70	100

Source: Questionnaire results analysis by SPSS

The educational requirement is a bachelor’s degree in a field emphasizing analytical skills, research and organization of data in written form. Other desirable qualifications include CPA, CIA, MBA, MPA, or related professional accomplishment. It could be seen from the foregoing table the mean value 4.0 indicates that Majority of the respondents believed that internal auditors have educational background which is required for position to carry out their work and the variation in perception among respondents that participated in filling the questionnaire was low and represented by the average standard deviation value 0.68. The standard deviation indicated that the respondent’s response towards this issues were more or less similar. Likewise, 20% were strongly agreed, 63% were agreed, and 14% were neutral. To generalize around more than 80% were agree on the above issue and. Good competence has several factors that are quite important one it is certificate owned by an auditor by (Bouhawai et al. 2015). Fekadu (2018) has demonstrated that certified internal auditors improve compliance with the ISPPIA in Anglo-Saxon countries.

4.5 Regarding Compliance

	Q3A	Q3B	Q3C	Q3D	Q3E	Q3F	Q3G	Q3H	Q3I	Q3J
N Valid	70	70	70	70	70	70	70	70	70	70
Missing	0	0	0	0	0	0	0	0	0	0
Mean	4.11	3.97	3.94	4.08	3.94	3.94	3.97	3.97	3.91	4.05
Std. Deviation	0.75	0.70	0.67	0.60	0.58	0.63	0.65	0.61	0.73	0.93

Table 4.9 Descriptive Statistics for audit compliance

Table 4.9.1 internal auditor staff has the abilities to identify the elements of the audit, assess whether a particular subject matter is compliant with the established criteria and issue a compliance audit report

No	Questioner	Alternative	Respondents	
			No	%age
Q3A	Internal auditor staff has the abilities to identify the elements of the audit, assess whether a particular subject matter is compliant with the established criteria and issue a compliance audit report	SA	18	26
		A	46	66
		N	4	6
		D	2	3
		SD	0	0
			70	100

. Source: Questionnaire results analysis by SPSS

Audit criteria represent the standards expected to be met by an audited organization. Audit criteria are a key

contributor to an audit’s strength and potential impact. Audit procedures focus on determining whether criteria are met or not met. Suitable criteria are clear, concise, relevant, reliable, neutral, understandable, and complete. As can be seen from the table regarding internal auditor staff has the abilities to identify the elements of the audit, assess whether a particular subject matter is compliant with the established criteria and issue a compliance audit report respondent agreed as per mean value of 4.11 and the average standard deviation value of 0.75 was reflected as a variation in perception among respondents and it was considered as low in value. The standard deviation indicated that the respondent’s response towards this issues were more or less similar.

Additionally the above table showed that 18 (26%) of the respondents were strongly agree, 46 (66%) of the respondent indicated that they disagree, 4 (6%) of the respondents were neutral and finally 2 (3 %) of the respondents were disagree. This entails that internal audit staff has ability if the subject matter is compliant with established criteria as well issuing report. (The Handbook on Compliance Audit defines), “Compliance audit is an independent assessment of whether a given subject matter is in compliance with applicable authorities identified as criteria

Table 4.9.2 internal auditor promotes transparency by providing reliable reports as to whether resources have been well administered

No	Questioner	Alternative	Respondents	
			No	%age
Q3B	internal auditor promotes transparency by providing reliable reports as to whether resources have been well administered	SA	10	14
		A	52	74
		N	6	9
		D	2	3
		SD	0	0
			70	100

Source: Questionnaire results analysis by SPSS

The reliability of audit evidence refers to the ability to substantiate the evidence. In other words, the evidence should be supported by relevant source documents to ensure completeness and accuracy. Reliability of evidence banks on nature and source where such evidence is found. (<https://homework.study.com/>). The findings in the

above table shows that the mean value 3.97 approaches to agree and the average standard deviation value of 0.70 was reflected as a variation in perception among respondents and it was considered as low in value. The variation in response shown by standard deviation result less than 1.00 shows that the respondents were almost similar answers. To express in fact 10 (14%) are those who strongly agreed, 54 (74%) were agree, 6 (9%) were feel neutral, 2(3%) were disagree the questioner concerning internal auditor promotes transparency by providing reliable reports as to whether resources have been well administered. This suggests that internal audit staff has ability to promote transparency, if the banks resources are well administered which helps in its performance achievement. The idea is to ensure your business is doing things correctly, keeping up with industry standards and government requirements. It's all about playing by the book and staying on the right track. (Matt Green on 12 Feb 2024)

Table 4.9.3 internal auditor staff have the abilities promotes good governance both by identifying weaknesses and deviations from laws and regulations

No	Questioner	Alternative	Respondents	
			No	%age
Q3C	Internal auditor staff have the abilities promotes good governance both by identifying weaknesses and deviations from laws and regulations.	SA	8	11
		A	54	77
		N	6	9
		D	2	3
		SD	0	0
			70	100

The auditor will be concerned about gathering sufficient and appropriate audit evidence that the entity has complied with such laws and regulations. Good governance not means a culture and a style of governing the relations between different stakeholders in a climate of transparency, rule of law and ethical behavior. (<https://homework.study.com/>). As can be seen from the table regarding internal auditor staff have the abilities promotes good governance both by identifying weaknesses and deviations from laws and regulations revealed as well by showing the mean value of 3.94 and the average standard deviation value of 0.67 was reflected as a variation in Perception among respondents and it was considered as low in value. The variation in response shown by standard deviation result less than 1.00 shows that the respondents were almost similar answers. Additionally, above table depicts that 8 (11%) strongly agreed, 54 (77%) were agreed, 6 (9%) were neutral on

the statement, 2 (3%) disagreed. This response is supported by For the question Managers or employee’s proper understanding of internal auditing role in good corporate governance, for thesis written by Addisu Gemeda. This implies that the internal auditors try to materialize good governance by informing to follow laws and regulation that saves the organization from different penalties. Auditors should have the necessary knowledge and skills to apply audit principles, procedures and techniques when undertaking compliance audits. (Department of Environment and Conservation).

Table 4.9.4 Internal auditor staff has the abilities to promote accountability by reporting deviations from and violations of authorities, so that corrective action may be taken and those accountable may be held responsible for their actions.

No	Questioner	Alternative	Respondents	
			No	%age
Q3D	Internal auditor staff has the abilities to promote accountability by reporting deviations from and violations of authorities, so that corrective action may be taken and those accountable may be held responsible for their actions.	SA	16	23
		A	44	63
		N	10	14
		D	0	0
		SD	0	0
			70	100

Source: Questionnaire results analysis by SPSS

Through rigorous examination of financial records, operations, and compliance, auditors contribute to promoting financial responsibility, detecting and preventing fraud, enhancing public trust, and facilitating informed decision-making. Based on the above table as the mean value 4.08 shows that the respondents agreed that internal auditor staff has the abilities to promote accountability by reporting deviations from and violations of authorities, so that corrective action may be taken and those accountable may be held responsible for their actions and the average standard deviation value of 0.60 was reflected as a variation in Perception among respondents and it was considered as low in value. The variation in response shown by standard deviation result less than 1.00 shows that the respondents were almost similar answers. Likewise comprising of 16 (23%) of them strongly agreed, 44 (63%) of the respondents agree while another 10 (14%) of the respondents disagree.

This suggests that internal auditors promoting accountability if there is any deviation from rules and if any updates to take corrective action. The main objective of compliance auditing is to provide the intended user(s) with information on whether the audited public entities follow parliamentary decisions, laws, legislative acts, policy, established codes and agreed-upon terms. (compliance audit manual 1st Edition November 2017)

Table 4.9.5 The auditor identifies criteria on the basis of the relevant authorities

No	Questioner	Alternative	Respondents	
			No	%age
Q3E	The auditor identifies criteria on the basis of the relevant authorities	SA	8	11
		A	52	74
		N	8	11
		D	2	3
		SD	0	0
			70	100

Source: Questionnaire results analysis by SPSS

Audit criteria are a key contributor to an audit's strength and potential impact. Audit procedures focus on determining whether criteria are met or not met. Suitable criteria are clear, concise, relevant, reliable, neutral, understandable, and complete <https://www.caaf-fcar.ca> ». The study depicted that 3.94 for the case of the auditor identifies criteria on the basis of the relevant authorities which indicates the respondents agreed or strongly agreed on the above stated statements and the average standard deviation value of 0.58 was reflected as a variation in Perception among respondents and it was considered as low in value. The variation in response shown by standard deviation result less than 1.00 shows that the respondents were almost similar answers. The table sought that the findings 8 (11%) were strongly agree, 52 (74%) were agree, 8(11%) were neutral whereas (3%) of the respondents disagree regarding the internal auditor identifies criteria on the basis of the relevant authorities. Criteria are the benchmarks against which the subject matter is measured and evaluated. Authorities are the most fundamental element of compliance audit. Audit criteria in case of compliance audit are derived from authorities. (Mohammad Muslim Chowdhury)

Table 4.9.6 The auditor report is in due time when the findings are applicable and can be relevant to the intended users

No	Questioner	Alternative	Respondents	
			No	% age
Q3F	The auditor report is in due time when the findings are applicable and can be relevant to the intended users.	SA	12	17
		A	42	60
		N	16	23
		D	0	0
		SD	0	0
			70	100

Source: Questionnaire results analysis by SPSS

Simply on time report mean is the process of tracking exactly what you spend your time on for a consecutive period. The results can be analyzed to arrange your time in a more efficient way. This, in turn, gives you more free time to work on what actually matters to you and your business. As can be seen from above table the mean value 3.94 shows that the respondents agree with the situation stated above and the average standard deviation value of 0.63 was reflected as a variation in Perception among respondents and it was considered as low in value. The variation in response shown by standard deviation result less than 1.00 shows that the respondents were almost similar answers. What's more, From the findings 12 (17%) were strongly agree, 42 (60%) were agree, where as 16 (22.8%) were neutral concerning the auditor report is in due time when the findings are applicable and can be relevant to the intended users. This shows that internal auditors submit reports without any delay for information users. Compliance auditing promotes transparency by providing reliable reports as to whether public funds have been utilized in line with the applicable authorities. (entity royal audit authority June 2021)

Table 4.9.7 the auditor applies professional judgment and skepticism to ensure that all reports are factually correct and that findings and conclusions are presented in a relevant and balanced way.

No	Questioner	Alternative	Respondents	
			No	%age
3G	The auditor applies professional judgment and skepticism to ensure that all reports are factually correct and that findings and conclusions are presented in a relevant and balanced way.	A	44	63
		N	12	17
		D	2	3
		SD	0	0
				70

Source: Questionnaire results analysis by SPSS

Professional judgment involves applying relevant training, knowledge, and experience within the context provided by relevant professional and technical standards, as applicable, in making informed decisions about courses of action that are appropriate in the circumstances. The study aimed to show if the auditor applies professional judgment and skepticism to ensure that all reports are factually correct and that findings and conclusions are presented in a relevant and balanced way revealed as well as mean value 3.97 states and the average standard deviation value of 0.65 was reflected as a variation in Perception among respondents and it was considered as low in value. The variation in response shown by standard deviation result less than 1.00 shows that the respondents were almost similar answers. In addition, from the findings 12 (17%) were strongly agree, 44 (63%) of the respondents were agree 12(17.1%) were neutral, whereas 2 (9%) of the respondents were disagree. Professional standards and guidelines are essential for the credibility, quality and professionalism of public-sector auditing. (ISSAIs)

Table 4.9.8 The auditor checks the accuracy of facts with the audited entity and incorporates responses from responsible officials as appropriate

No	Questioner	Alternative	Respondents	
			No	% age
Q3H	The auditor checks the accuracy of facts with the audited entity and incorporates responses from responsible officials as appropriate.	SA	10	14
		A	50	72
		N	8	11
		D	2	3
		SD	0	0
			70	100

Source: Questionnaire results analysis by SPSS

As described by the table the mean value 3.97 revealed well concerning that the auditor checks the accuracy of facts with the audited entity and incorporates responses from responsible officials as appropriate and the average standard deviation value of 0.61 was reflected as a variation in Perception among respondents and it was considered as low in value. The variation in response shown by standard deviation result less than 1.00 shows that the respondents were almost similar answers. Also from the findings in detail that 10 (14%) were strongly agree, 50 (72%) of the respondents showed agree, 8(11%) were neutral, whereas 2 (3%) of the respondents indicated disagree regarding the above issue. This recommends that internal auditor checks the accuracy of facts and combines responses as necessary. Compliance audit is about evaluating the subject matter or subject matter information against relevant criteria. (entity royal audit authority June 2021)

Table 4.9.9 The auditors evaluate the evidence obtained as to its sufficiency (quantity) and appropriateness (quality) Re-assessing risk and gathering further evidence as necessary

No	Questioner	Alternative	Respondents	
			No	% age
Q3I	The auditors evaluate the evidence obtained as to its sufficiency (quantity) and appropriateness (quality) Re-assessing risk and gathering further evidence as necessary.	SA	8	11
		A	54	77
		N	4	6
		D	2	3
		SD	2	3
			70	100

. Source: Questionnaire results analysis by SPSS

Audit evidence is all the information, whether obtained from audit procedures or other sources, which is used by the auditor in arriving at the conclusions on which the auditor's opinion is based [https://pcaobus.org > archived-standards >](https://pcaobus.org/archived-standards). As the mean value 3.94 states that the majority of the respondents agree with the stated question and the average standard deviation value of 0.73 was reflected as a variation in Perception among respondents and it was considered as low in value. The standard deviation shows that the respondent's perceptions were more or less similar about the questions mentioned. likewise, as above table illustrates that 62 (88%) were agree with the statement that auditors evaluate the evidence obtained as to its sufficiency (quantity) and appropriateness (quality) Re-assessing risk and gathering further evidence as necessary while the remaining 4 (6%) and 4(6) were feel neutral and disagree respectively. This shows that internal auditors assess risk in order to save the bank from unnecessary loss of its asset.

Table 4.9.10 The auditor to consider all relevant audit evidence before issuing the report

No	Questioner	Alternative	Respondents	
			No	%age
Q3J	The auditor considers all relevant audit evidence before issuing the report.	SA	22	31
		A	38	54
		N	4	6
		D	4	6
		SD	2	3
			70	100

Source: Questionnaire results analysis by SPSS

Auditing evidence is the information collected for review of a company's financial transactions, internal control practices, and other items necessary for the certification of financial statements by an auditor or certified public accountant (CPA). The amount and type of auditing evidence considered vary considerably based on the type of firm being audited as well as the required scope of the audit. The study described by table with the mean value 4.05 discovered as well and agreed regarding the auditor considers all relevant audit evidence before issuing the report and the average standard deviation value of 0.93 was reflected as a variation in Perception among respondents and it was considered as low in value. The standard deviation shows that the respondent's perceptions were more or less similar about the questions mentioned. To show specifically 22 (31 %) were strongly agree, 38(54. %) were agree, 4 (6 %) were neutral, and 2 (3) percent) were disagree. From this the researcher Concludes that the auditor considers relevant audit evidence before every reporting. Compliance audits are key to avoiding penalties and reputational damage. We explain the benefits, process, spotting gaps and provide a downloadable compliance audit checklist. (Matt Green)

4.6 Regarding independence

	Q4A	Q4B	Q4C	Q4D	Q4E	Q4F	Q4G	Q4H	Q4I
N Valid	70	70	70	70	70	70	70	70	70
Missing	0	0	0	0	0	0	0	0	0
Mean	3.77	3.77	3.68	3.77	3.82	3.85	3.85	3.94	4.02
Std. Deviation	0.93	0.96	1.01	0.87	0.916	1.10	1.02	0.96	0.81

Table 4.10 Descriptive Statistics for independence

Table 4.10.1 The auditors can audit one or more areas of the financial statements without any restriction

No	Questioner	Alternative	Respondents	
			No	% age
Q4A	The auditors can audit one or more areas of the financial statements without any restriction	SA	12	17
		A	40	57
		N	10	14
		D	6	9
		SD	2	3
			70	100

Source: Questionnaire results analysis by SPSS

Audits are performed to ensure that financial statements are prepared in accordance with the relevant accounting standards. The three primary financial statements are: Income statement, Balance sheet and Cash flow statement. Financial statements are prepared internally by management utilizing relevant accounting

standards, such as International Financial Reporting Standards (IFRS) or Generally Accepted Accounting Principles (GAAP). They are developed to provide useful information to the following users like Shareholders, Creditors, Government entities, Customers and Suppliers. The above table shows that the mean value 3.7 tells us that auditors act with no restriction in the case of auditing financial statement and the average standard deviation value of 0.93 was reflected as a variation in Perception among respondents and it was considered as low in value. The standard deviation shows that the respondent's perceptions were more or less similar about the questions mentioned. Besides 12 (17%) out of strongly agreed, while 40(57%) agreed 10 (14%) gave a neutral response. 6(9%) disagreed and also 2 (3%) strongly disagreed. BPKP (2011) defines objectivity as the freedom of a person from the influence of subjective views of other interested parties, so that they can express opinions according to what they are. An auditor, who maintains objectivity, will act fairly without being influenced by the pressure and requests of certain parties or his personal interests.

Table 4.10.2 Internal auditors are free from Self-interest, which means where an auditor could benefit from a financial or other form of interest in or relationship with the company being audited

No	Questioner	Alternative	Respondents	
			No	%age
Q4B	Internal auditors are free from Self-interest, which means where an auditor could benefit from a financial or other form of interest in or relationship with the company being audited.	SA	14	20
		A	36	51
		N	12	17
		D	6	9
		SD	2	3
			70	100

Source: Questionnaire results analysis by SPSS.

Self-interests include auditors' emotional, financial, or other personal interests. Auditors may favor, consciously or subconsciously, those self-interests over their interest in performing a quality audit. The analysis results seen that the respondent replied for the questionnaire that related to Internal auditors are free from Self-interest, which means where an auditor could benefit from a financial or other form of interest in or relationship with the company being audited is healthy as mean value 3.77 mentions and the average standard deviation value of 0.96 was reflected as a variation in Perception among respondents and it was considered as low in value. The standard deviation shows that the respondent's perceptions were more or less similar about the

questions mentioned. Besides as the above table presented, majority of internal auditors replied and confirmed the study revealed that of the total respondents 14 (20 percent) were strongly disagree, 36(51 percent) were agree, 12(17 percent) were neutral, 6(9 percent) were disagree and 2(3%) were strongly disagree. This outcome indicates that internal auditors free from any type self-interest which hampers auditing to achieve its goals. Independence requires avoidance of situations which would tend to impair objectivity or permit personal bias to influence delicate judgment. (Hemraj, 2003)

Table 4.10.3 Internal auditors are free from Self-review which means when performance of services for an audit client that result in the audit firm auditing its own work

No	Questioner	Alternative	Respondents	
			No	%age
Q4C	Internal auditors are free from Self-review which means when performance of services for an audit client that result in the audit firm auditing its own work	SA	14	20
		A	32	46
		N	14	20
		D	8	11
		SD	2	3
			70	100

Source: Questionnaire results analysis by SPSS

Self-review threats—threats that arise from auditors reviewing their own work or the work done by others in their firm. It may be more difficult to evaluate without bias one’s own work, or that of one’s firm, than the work of someone else or of some other firm. Therefore, a self-review threat may arise when auditors review judgments and decisions they, or others in their firm, have made. It could be seen from the foregoing table regarding the internal auditors are free from Self-review which means when performance of services for an audit client that result in the audit firm auditing its own work was fine by 3.68 average mean value and the average standard deviation value of 1.01 was reflected as a variation in Perception among respondents and it was considered as low in value. The variation in response shown by standard deviation result greater than 1.00 shows that the respondents were almost different answers. As well, the data revealed that 14((20percent), of the respondent were strongly agree, 32 (46 percent) were agree, 14 (20percent) were neutral, 8(11 percent) were disagree and 2 (3%) were strongly disagree.

Table 4.10.4 The auditors are free from advocacy, which means acting as a promoter for an audit client’s position in dealings with third parties.

No	Questioner	Alternative	Respondents	
			No	%age
Q4D	The auditors are free from advocacy, which means acting as a promoter for an audit client’s position in dealings with third parties.	SA	10	14
		A	42	60
		N	12	17
		D	4	6
		SD	2	3
			70	100

Source: Questionnaire results analysis by SPSS

Advocacy threats—threats that arise from auditors or others in their firm promoting or advocating for or against an auditee or its position or opinion rather than serving as unbiased attestors. The foregoing table revealed that majority of the respondent considerably accepted and replied the auditors are free from advocacy, which means acting as a promoter for an audit client’s position in dealings with third parties. Was well as supported by an average mean value of 3.77 and the average standard deviation value of 0.87 was reflected as a variation in Perception among respondents and it was considered as low in value. The standard deviation indicated that the respondent’s response towards this issues were more or less similar .Likewise, as of the entire respondent’s response 10 (14 percent) were strongly agree, 42 (60 percent) were agree, 12(17%) of the respondents were neutral, were 4(6%) disagree and 2(3%) were strongly disagree. Depending on the above statistics scrutiny the study tells that, auditors are free from advocacy. To be independence an auditor should avoid relations outsiders might be seen as conflicts of interest, which means even apparent independence plays an important role whether the auditor will have presumed to be totally independent. (Vanasco et al, 1997)

Table 4.10.5 Internal auditors free from familiarity which reflects long association of an audit engagement partner

No	Questioner	Alternative	Respondents	
			No	%age
Q4E	Internal auditors free from familiarity which reflects long association of an audit engagement partner	SA	12	17
		A	42	60
		N	12	17
		D	0	0
		SD	4	6
			70	100

Source: Questionnaire results analysis by SPSS

Familiarity (or trust) threats—threats that arise from auditors being influenced by a close relationship with an auditee. Such a threat is present when auditors are not sufficiently skeptical of an auditor’s assertions and, as a result, too readily accept an auditor’s viewpoint because of their familiarity with or trust in the audited. According to the results that reflected by the above table, regarding internal auditors free from familiarity which reflects long association of an audit engagement partner believed sufficient by the average mean values, 3.82 and the average standard deviation value of 0.92 was reflected as a variation in Perception among respondents and it was considered as low in value. The standard deviation indicated that the respondent’s response towards this issues were more or less similar. As result entitles 12(17%) of respondents strongly agree, 42(60%) were agree, 12(17%) were neutral, and 4(6%) were strongly disagree. As the auditor continues to provide services and becomes more familiar with the client, the incumbent auditor gains access to a “quasi-rent”, where the production cost of the audit decreases and audit fees usually increase (DeAngelo, 1981). Both Messier (1997) and Bakar el al. (2005) also show it is even harder to keep the relation on a professional level in a small town and the familiarity threat is something the auditor has to be aware.

Table 4.10.6 Internal auditors are free from management intervention when they carry out their activities

No	Questioner	Alternative	Respondents	
			No	% age
Q4F	Internal auditors are free from management intervention when they carry out their activities.	SA	22	31
		A	28	40
		N	12	17
		D	4	6
		SD	4	6
			70	100

. Source: Questionnaire results analysis by SPSS

Management intervention, which represents management actions to depart from prescribed policies and procedures for legitimate purposes. <https://scholarworks.gsu.edu> >. Respondent of the sample believed that Internal auditors are free from management intervention when they carry out their activities was greatly exercised and its result was reinforced by 3.85 mean value and the average standard deviation value of 1.10 was reflected as a variation in Perception among respondents and it was considered as high in value. As well, as result describes that 22(31%) of respondents strongly agree, 28(40%) agree, 12(17%) neutral, 4(6%) s disagree regarding and 4(6%) strongly disagree. This signifying that most of the respondents agree with the idea. Independent refers to the concept of being free from any management influence while internal auditors perform audit activities and issue audit report (Ahmad & Taylor, 2009; Belay, 2007; MoFED, 2004).

Table 4.10.7 The auditor are Independent which means provide a clear picture of a company’s worth, which helps to management and shareholders make an informed decision when considering whether to the bank is profitable or not

No	Questioner	Alternative	Respondents	
			No	%age
Q4G	The auditors are Independent which means provide a clear picture of a company’s worth, which helps to Management and shareholders make an informed decision when considering whether to the bank is profitable or not.	SA	18	26
		A	36	51
		N	6	9
		D	8	11
		SD	2	3
			70	100

Source: Questionnaire results analysis by SPSS

To be independent, the auditor must be intellectually honest; to be recognized as independent, he must be free from any obligation to or interest in the client, its management, or its owners .Respondent believed that the auditor is Independent which means provide a clear picture of a company’s worth, which helps to management and shareholders make an informed decision when considering whether to the bank is profitable or not well observed within the bank by 3.85 average mean values and the average standard deviation value of 1.02 was reflected as a variation in Perception among respondents and it was considered as high in value. Also Majority of respondents constituting 77% were agreed. This shows us that auditors are free to give information about organization when it is needed to the authorized body. According to Herdman (2002), an effective internal audit system is considered “crucial to the success of an organization in stemming fraud and abuse, and in the preparation of accurate financial statements”.

Table 4.10.8 Internal auditors are independent which protect banks from possible fraud and accounting improprieties and safeguard the financial interests of partners or shareholders

No	Questioner	Alternative	Respondents	
			No	%age
Q4H	Internal auditors are independent which protect banks from possible fraud and accounting improprieties and safeguard the financial interests of partners or shareholders.	SA	18	25
		A	40	57
		N	4	6
		D	6	9
		SD	2	3
			70	100

Source: Questionnaire results analysis by SPSS

Fraud in audits is when an entity is found to have illegally altered financial statements to manipulate its financial health or to hide profit or losses. It is severely punished since fraud undermines the trust that is the bedrock of the global financial system. (<https://corporatefinanceinstitute.com>) According to the analysis results, regarding internal auditors are independent which protect banks from possible fraud and accounting improprieties and safeguard the financial interests of partners or shareholders as well as mean value 3.94 states and the average standard deviation value of 0.96 was reflected as a variation in Perception among respondents and it was considered as low in value. The standard deviation indicated that the respondent's response towards this issues were more or less similar. Moreover, as table designates 18(25%) of respondents strongly agree, 40(57%) agree, 4(6%) neutral, 6(9%) s disagree regarding and 2(3%) strongly disagree. This confirms us that auditors are independent in playing their roles to protect banks from fraud and to safeguard the interest of shareholders. Mihret and Yismaw (2007) and Cohen and Sayag (2010) found that top management support was the critical determinants of Internal Audit Effectiveness in audit function and the commitment to strengthen

Internal Audit through hiring proficient audit staff, developing career channels for Internal Audit staff and providing Internal Audit work independence.

Table 4.10.9 Internal auditors are independent in preventing the bank from misappropriating funds and determine whether books and records have been properly kept and help the bank to be aware of any discrepancies

No	Questioner	Alternative	Respondents	
			No	%age
Q4I	Internal auditors are independent in preventing the bank from misappropriating funds and determine whether books and records have been properly kept and help the bank to be aware of any discrepancies.	SA	18	26
		A	40	57
		N	10	14
		D	0	0
		SD	2	3
			70	100

. Source: Questionnaire results analysis by SPSS

Misappropriation of assets may occur because there is the following: Inadequate segregation of duties or independent checks. Inadequate management oversight of employees responsible for assets, for example, inadequate supervision or monitoring of remote locations.(<https://pcaobus.org> › auditing-standards › The above table described that majority of respondents believed and replied internal auditors are independent in preventing the bank from misappropriating funds and determine whether books and records have been properly kept and help the bank to be aware of any discrepancies fine and strong as the average mean values is 4.02 shown and the average standard deviation value of 0.81 was reflected as a variation in Perception among respondents and it was considered as low in value. The standard deviation indicated that the respondent's response towards this issues were more or less similar .Also, as table designates 18(25%)of respondents strongly agree,40(57%) agree,10(14%) neutral and 2(3%) strongly disagree This tells us that auditors feel free to express their attitude towards what they seen in their daily activity that helps the bank to protect its resource from miss appropriation. It's not arguable that auditors have a significant role to play in the detection and prevention of financial irregularities because they are not only agents of shareholders and stakeholders but their access to internal and external information makes them efficient monitor (Dyck et al., 2008). Alzeban (2013) stated that that internal audit independence is of dominant value in providing effective internal audit service, for it needs an atmosphere

of objective and uninhibited appraisal and reporting of findings without pressure from units audited which highly can improve the efficiency of the audited unit.

4.7 REGARDING MANAGEMENT SUPPORT

	Q5A	Q5B	Q5C	Q5D	Q5E	Q5F	Q5G	Q5H
N Valid	70	70	70	70	70	70	70	70
Missing	0	0	0	0	0	0	0	0
Mean	3.85	3.82	3.91	3.97	3.88	3.91	3.78	3.88
Std. Deviation	0.79	0.84	0.64	0.65	0.82	0.76	0.80	0.74

Table 4.11 Descriptive Statistics for management support

Table 4.11.1 the management launches having a schedule to support timely responses to auditor requests

No	Questioner	Alternative	Respondents	
			No	%age
Q5A	The management launches having a schedule to support timely responses to auditor requests.	SA	14	20
		A	36	51
		N	16	23
		D	4	6
		SD	0	0
			70	100

Source: Questionnaire results analysis by SPSS

The development of the relationship with management benefits the auditor by improving their knowledge of the business area, ensuring they are kept informed of business plans, changes and risks that will impact internal audit plans for assurance. (<https://www.accaglobal.com>). The study revealed that, the mean in th and the average standard deviation value of 0.79 was reflected as a variation in Perception among respondents and it was considered as low in value. The standard deviation indicated that the respondent's response towards this issues were more or less similar. Above table marked as 3.85 once more indicates the respondent agree with the idea stated above, and of the total respondents 14 (20%), strongly agreed, 36 (51%), agreed, 16 (23%), were neutral and 4(6%) disagree regarding the question the management launches having a schedule to support timely responses to auditor requests. This informed us that management is ready to give response to auditors need. A study by Ahmad et al., (2009) who stated that insufficient support from senior management leads to ineffectiveness of the internal audit work.

Table 4.11.2 the management delegate's responsibilities to all members involved in supporting the audit.

No	Questioner	Alternative	Respondents	
			No	%age
Q5B	The management delegates responsibilities to all members involved in supporting the audit.	SA	14	20
		A	36	51
		N	14	20
		D	6	9
		SD	0	0
			70	100

Source: Questionnaire results analysis by SPSS

Sharing responsibilities also keeps other members of your firm interested and motivated about their contribution. It also contributes to learning and job enrichment. Instinctively, most accountants are reluctant to delegate because you want to make sure the job is done right (e.g., your way). However, failure to delegate can make staff members of your firm feel unimportant, apathetic and lower firm productivity. Effective delegation is a crucial skill for leaders and managers in any organization. By assigning tasks and responsibilities to others, delegation not only lightens the

workload but also empowers team members, fosters growth, and drives overall productivity. It could be understood from the respondents that the mean value 3.82 which clearly indicates us the respondents agree with the clue listed and the average standard deviation value of 0.84 was reflected as a variation in Perception among respondents and it was considered as low in value. The standard deviation indicated that the respondent's response towards this issues were more or less similar. To look in separately 14(20%) were strongly agree, 36(51.4%) were agree 14(20%) were neutral whereas 6(9%) were disagree concerning the question the management delegate's responsibilities to all members involved in supporting the audit. D'Onaza et al. (2015) further described that the organization's internal control system is significantly and positively associated with the value of management support provided to the internal audit systems.

Table 4.11.3 the management holds meetings during and after the audit to seek feedback and improve the audit process in the future

No	Questioner	Alternative	Respondents	
			No	%age
Q5C	The management holds meetings during and after the audit to seek feedback and improve the audit process in the future.	SA	10	14
		A	46	66
		N	12	17
		D	2	3
		SD	0	0
			70	100

Source: Questionnaire results analysis by SPSS

At the end of each audit, upon issuance of the draft report, management of the audited unit is responsible for developing and implementing an action plan that will remediate any risks associated with the observations noted during the audit. This written action plan is known as the management response. Based on the above table, the mean value 3.91 shows agree and the average standard deviation value of 0.64 was reflected as a variation in Perception among respondents and it was considered as low in value. The standard deviation indicated that the respondent's response towards this issues were more or less similar. Further it sustained by as the above table shows the respondents results revealed that 10(14%) were strongly agree, 46(66%) were agree, 12(17%) were

neutral whereas 2(3%) were disagree regarding the management holds meetings during and after the audit to seek feedback and improve the audit process in the future. It suggests that management can ready to discuss with auditors which is necessary for their branch auditing process. D’Onaza et al., (2015) showed that an organization’s internal control system is significantly and positively associated with the value of management support provided to the internal audit systems.

Table 4.11.4 the management establishes a transparent relationship with two-way, ongoing communication throughout the audit builds greater engagement on the part of management and may further support an effective, efficient and higher quality audit, benefiting both management and the auditor

No	Questioner	Alternative	Respondents	
			No	%age
Q5D	The management establishes a transparent relationship with two-way, ongoing communication throughout the audit builds greater engagement on the part of management and may further support an effective, efficient and higher quality audit, benefiting both management and the auditor.	SA	12	17
		A	46	66
		N	10	14
		D	2	3
		SD	0	0
			70	100

Source: Questionnaire results analysis by SPSS

Internal auditing supports senior management by providing assurance and consulting, activities, improving internal control and risk management, cooperating with external auditors, and serving as a training ground for future managers (Sarens & Beelde, 2006; Eulerich, Kremin, & Wood, 2019; Weekes-Marshall, 2020). In general the mean values 3.97 informed on respondents’ reply agree with and the average standard deviation value of 0.65 was reflected as a variation in

Perception among respondents and it was considered as low in value. The standard deviation indicated that the respondent's response towards this issues were more or less similar . To put specifically 12(17%) were strongly agree, 46(66%) were agree, 10(14%) feel neutral and the rest 2(3%) were disagree concerning the management establishes a transparent relationship with two-way, ongoing communication throughout the audit builds greater engagement on the part of management and may further support an effective, efficient and higher quality audit, benefiting both management and the auditor. MOFED (2004) state that heads of internal audit should co-ordinate internal audit plans and activities 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 minimized. Kagermann. (2015) and Alzeban (2013) in their findings indicates that internal audit must receive sufficient support from management.

Table 4.11.5 Management is accountable for ensuring that timely and appropriate actions are taken on all internal audit findings and recommendations

No	Questioner	Alternative	Respondents	
			No	%age
Q5E	Management is accountable for ensuring that timely and appropriate actions are taken on all internal audit findings and recommendations	SA	14	20
		A	40	57
		N	10	14
		D	6	9
		SD	0	0
			70	100

Source: Questionnaire results analysis by SPSS

A formal audit is incomplete and can be described as half-baked if audit findings, conclusions and specific recommendations are not put together in a report. A draft report must be submitted to key stakeholders to give them the opportunity to response to those specific issues wary of their conducts. The responses or feedback as well as any action plan must be added to the final audit report. An action plan must engineer a follow-up audit on the previous findings to establish if corrective actions have been implemented to prevent the reoccurrence of earlier weaknesses and gaps in governance, risks incidents and defects in controls. From the above table, the mean value of

the collected data was 3.88 which shows most of the respondents agree on the statement regarding management is accountable for ensuring that timely and appropriate actions are taken on all internal audit findings and recommendations and the average standard deviation value of 0.82 was reflected as a variation in Perception among respondents and it was considered as low in value. The standard deviation indicated that the respondent's response towards this issues were more or less similar. To express it in detail of the total respondents among the selected branches of Abay bank SC detail 14(20%) strongly agree, 40 (57 %) were agree, 10(14%), were neutral, 6(9%), were strongly disagreed. So this informed us that management can follow and tries to facilitate to rectify any findings that found in the bank. Van Gansberghe (2005) noted that the IA function should work closely together with operational managers to improve the organization's evaluation of risks and determining its risk appetite, to improve its systems, regulations, procedures and the ethical environment.

Table 4.11.6 before every audit and special investigation management can ensure that the necessary things are available for internal auditors to carry out their duties.

No	Questioner	Alternative	Respondents	
			No	%age
Q5F	Before every audit and special investigation management can ensure that the necessary things are available for internal auditors to carry out their duties.	SA	14	20
		A	40	57
		N	12	17
		D	4	6
		SD	0	0
			70	100

Source: Questionnaire results analysis by SPSS

A composition of an audit team should reflect the complexity of the audit assignment as well as the size of the entity. In selecting an audit team, it is important to ensure they have the team has the right skillsets to undertake the assignment. One of the strategies to improve audit efficiency and effectiveness is to empower the team with a training program. A training program should equip the team with the skills and knowledge in respect of applicable standards pertaining to the audit assignment and the embedded risks. As the above table presented the mean value 3.91 shows

majority of internal auditors replied and confirmed regarding before every audit and special investigation management can ensure that the necessary things are available for internal auditors to carry out their duties as well and fine and the average standard deviation value of 0.76 was reflected as a variation in Perception among respondents and it was considered as low in value. The standard deviation indicated that the respondent's response towards this issues were more or less similar . Besides from the above table, of the total respondents among the selected branches of Abay bank SC 14(20%) strongly agree, 40 (57 %) were agree, 10(14%), were neutral, 6(9%), were strongly disagreed. This tells us whenever there is special investigation management is ready sustenance their commitment. Dellai et al. (2016), also pointed out that management systems, sound internal control systems, and effective governance enhance the internal audit effectiveness.

Table 4.11.7 Management provides training and new technology to update internal auditors

No	Questioner	Alternative	Respondents	
			No	%age
Q5G	Management provides training and new technology to update internal auditors.	SA	11	16
		A	20	29
		N	24	34
		D	15	21
		SD	0	0
			70	100

. Source: Questionnaire results analysis by SPSS

A training and development audit looks into the effectiveness of the training functions and evaluates its strengths and weaknesses with supporting recommendations. The intent is to verify and improve the present and set the road map for the future. Training provides auditors with an understanding of standards and helps them to meet the expectations of their profession. Regular training ensures that auditors have the necessary skills and knowledge to perform high-quality audits. The study showed that from the respondents in the nominated branches the mean value 3.4 approaches to agree and the average standard deviation value of 0.80 was reflected as a variation in Perception among respondents and it was considered as low in value. The standard deviation indicated that the respondent's response towards this issues were more or less similar. To define in

detail 11(16%) were strongly agree, 20 (29%) were agree, only 24(34%) was neutral and 15 (21%) responded disagree regarding management provides training and new technology to update internal auditors. This illustrates that management provides training to its auditor’s even if the mean value less from other. Cohen and Sayag (2010) management support, especially in relation to provision of proficient internal audit staff, career development and independence of internal auditors as vital to the effectiveness of internal audit.

Table 4.11.8 Management facilitates to provide enough budgets needed for auditors in order to carry their duties without any financial obstacles

No	Questioner	Alternative	Respondents	
			No	%age
Q5H	Management facilitates to provide enough budgets needed for auditors in order to carry their duties without any financial obstacles.	SA	12	17
		A	40	57
		N	14	20
		D	4	6
		SD	0	0
			70	100

Source: Questionnaire results analysis by SPSS

Management can support by setting solid management policies; enact legal instrument to support internal audit systems; support audit committee to be assertive; sufficient allocation of budget and improve on the conditions of service for internal audit staff. This can enhance their effectiveness and efficiency. As the average mean values, 3.88 shows exceeding half of banker’s respondent that replied agree regarding the management facilitates to provide enough budgets needed for auditors in order to carry their duties without any financial obstacles supposed was fit and the average standard deviation value of 0.74 was reflected as a variation in Perception among respondents and it was considered as low in value. The standard deviation indicated that the respondent’s response towards this issues were more or less similar. It was supported by respondent’s replay, to look in detail 12(17.1%) were strongly agree, 40(57.1%) were agree, 14(20%) were neutral whereas 4(6%) were disagree. According to Dellai et al. (2016).So we can say that management tries to support auditors whenever provision is looked-for without management supports internal audit system is ineffectual,

an internal audit on its own does not have the resources to fulfill its work and cannot outsource proficient internal audit staff without management supports.

CHAPTER FIVE

4. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

4.1. SUMMARY OF MAJOR FINDINGS

The findings of the research could be summarized into five parts and their detail is discussed as follow:

4.1.1. OUTCOMES THAT PERCEIVED FROM RESPONDENTS' PROFILE

- Out of 70 respondents that were participated in responding the research questionnaire, 25 respondents were female the rest 45 of them are male. To put them in percentage male consist of 64% and female were 34%. Even if there is a numerical difference the study tried to obtain answers from both genders.
- Regarding their position in the bank, majority of the respondents were branch auditors comprising of 27(39%), 15(22%) were client relation officer, 10(14%) were branch managers, 8(11%) were accountants, 5(7%) were assistant managers and 5(7%) were cashiers. So all staffs can answer the question without any lack of knowledge regarding daily activity because they are well aware and some of were auditors.
- Vis-à-vis their educational background out of 70 respondents 82.8% of them are degree holders whereas 17.2% were master holders. So they can understand and reflect their attitude regarding audit.
- About experience of respondents in the bank, majority of the respondents were served the bank from year 1-4 comprising of 42(60%), 13(18.3%) were from year 5-8, 12(17.2) were less than 1 year, 3(4.3%) were served more than 9 years.

- Apropos age of respondents, majority of the respondents were from year 26-35 comprising of 44(65%), 22(31%) were from year 20-25 and 4(6%) aged 36-45.
- Concerning their field of study, majority of them are graduate in accounting consisting of 34(49%).18(28%) were graduate in management, 8(11%) were graduate in economics, the rest 10(14%) graduate in different field rather stated the above.

4.2. CONCLUSIONS

Nowadays auditing plays a vital role in enhancing transparency and accountability within a company. It enables management to identify areas where improvements can be made, and provides assurance to stakeholders that the company is being run in an ethical and responsible manner. The decision of a banker to make a loan to a business is based upon previous financial relationships with that business, the financial condition of the company as reflected by its financial statements and other factors. The investing public has historically relied upon audited financial statements when making investment decisions and has depended upon auditor's profession to confirm the accuracy and completeness of financial information. Hence, the general objective of this study was to assessment of internal Audit practice in the case of Abay bank SC by enchanting the effectiveness and efficiency, competence, compliance, independence and management support. Via using data that was composed through using the primary source: the self-administered questionnaire; the quality level of the internal audit practices of the bank were examined and the associated inferences were drawn as follow.

4.3. REGARDING VARIABLES

4.3.1. . AUDIT EFFECTIVENESS AND EFFICIENCY; concerning auditors provides service based on banks strategy and risk based audit plan, Auditors have professional competence, capacity to collect and understand information, the abilities to judge outcomes, honest and truthful, respect the confidentiality of information, reporting is on time, roles in banks performance achievement and adding value to the bank can be seen from the result as it was healthy and well.

4.3.2. COMPETENCE: Internal auditor staff has the abilities to identify, solve problems and work in teams, abilities to gather, evaluate evidence and to present, discuss at times defend, abilities to informal, written, and spoken communication; and to treat

sensitive and confidential information appropriately, understand the entity and its environment assess the risk within an organization's, have professional knowledge and practical experience, acquires appropriate ongoing training , have the knowledge of audit principles, practices, techniques and client products to carry out their daily operation, has enough number of staff , have educational back ground can be seen as well and strong.

4.3.3. COMPLIANCE: - all the related responses revealed that the standard was finely complied within the selected branches that can represent the whole. These activities mainly related to the Internal auditor staff has the abilities to identify the elements of the audit, assess whether a particular subject matter is compliant with the established criteria, whether resources have been well administered according to banks principle, the abilities promotes good governance both by identifying weaknesses and deviations from laws and regulations, the abilities to promote accountability by reporting deviations from and violations of authorities, consider all relevant audit evidence and standards before issuing the report

4.3.4. INDEPENDENCE: the results that obtained from respondent regarding The auditors can audit one or more areas of the financial statements without any restriction, are free from Self-interest, which means where an auditor could benefit from a financial or other form of interest in or relationship with the company being audited, are free from Self-review, are free from advocacy, are free from familiarity, free from management intervention, Independent which means provide a clear picture of a company's worth are independent which protect banks from possible fraud, are independent in preventing the bank from misappropriating funds as the result shows us implemented as fine and well.

4.3.5. MANAGEMENT SUPPORT: the following components of the variables were like The management launches having a schedule to support timely responses to auditor requests, delegates responsibilities to all members involved in supporting the audit, holds meetings during and after the audit to seek feedback and improve the audit process in the future, establishes a transparent relationship, accountable for ensuring that timely and appropriate actions, can ensure that the necessary things are available

for internal auditors to carry out their duties, provides training and new technology to update internal auditors facilitates to provide enough budgets needed for auditors. As the result revealed it was healthy.

4.4. RECOMMENDATIONS

Based on the results of the investigation the subsequent recommendations were given:

The current healthy conformance of the bank regarding effectiveness and efficiency; competence; compliance; Independence and the Management support should be kept up and goes to the wide-ranging level. Even if the result fine but not as much as satisfactory, compared to other in the case of statement management provides training and new technology to update internal auditors. So the bank should give required attention to training and development program that could boost the auditors' ability and understanding. The absence of management support may foundation less exertion of internal auditors in their activities which in return could affect the success of internal audit practice.

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Appendix



Addis Ababa University

College of Business and Economics

Department of Accounting and Finance

Questioner on Assessment of internal audit practices in the case of Abay bank SC

Dear Respond ant:

The objective of this questionnaire is to discover evidence concerning the” Assessment of internal audit practices in the case of Abay bank SC” to conduct research for the partial fulfillment of Masters accounting and Finance at Addis Ababa University. The questionnaires are distributed to the Abay Bank S.C head office and branches that found in Addis Ababa city. The results of the study are predictable to add the assessment internal audit practices. Therefore, your honest and genuine involvement by answering to the questions is highly cherished.

Thank you in advance for your support and participation.

With best regards,

Ermias Mesfin

Mobile: +251- 936672682

I. Questionnaire

A. Personal Background

1. Sex/Gender/:

Male

Female

2. Age (in year):

20 to 25

26 to 35

36 to 45

above 45

3. Your field of study:

Accounting

Economics Management

other specify

4. Level of education:

Diploma

Bachelor's Degree

Master's Degree

others

specify _____

5. Experience

Less than 1 year from 1 year to 4 year From 5 year to 8 year 9 years and above

6. Current position in your branch _____

B. Questions

Please designate whether you response is agree or disagree with every statement by marking (√) on the spaces that state your answer.

Note:

SA=strongly agree

N- Neutral

A= Agree

D=Disagree

SD=strongly disagree

Use 5-scale ratings whereby; 1=strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree 5=Strongly Agree

	A. Regarding Effectiveness and Efficiency	SA	A	N	D	SD
S.N		5	4	3	2	1
1.	The internal auditors provide service based on banks strategy and risk based audit plan.					
2.	Internal auditors have Professional competence, including the knowledge and experience which is vital to the effectiveness of the bank's internal audit task.					
3.	The auditors have the capacity to collect and understand information, to examine and evaluate audit evidence and to communicate with the management of the internal audit function.					
4.	Internal auditors have the skills required for auditors, which include the abilities to judge outcomes and make an impact at the highest level of the organization.					
5.	The internal auditors are straightforward, honest and truthful which is the foundation for confidence on the internal auditor's professional judgment.					
6.	Internal auditors respect the confidentiality of information acquired during the course of performing services and not disclose such information.					
7.	Internal auditors act in a manner consistent with the good reputation of the profession and refrain from any conduct, which might bring discredit to the profession.					
8.	Internal auditors report is on time and very useful for management decision making.					
9.	Internal auditors plays important role in banks performance achievement.					

10.	An internal auditor adds value to the bank.					
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	B. Regarding Competence	SA	A	N	D	S D
S. N		5	4	3	2	1
1.	Internal auditor staff has the abilities to identify, solve problems and work in teams.					
2.	Internal auditor staff has the abilities to gather, evaluate evidence and to present, discuss at times defend.					
3.	Internal audit staff has the abilities to informal, written, and spoken communication; and to treat sensitive and confidential information appropriately.					
4.	Internal auditors understand the entity and its environment, performs analytical procedures and review the performance of an audit.					
5.	Internal auditors assess the risk within an organization's internal control structure.					
6.	Internal auditors have professional knowledge and practical experience relevant to that industry or environment required.					
7.	The internal audit staff acquires appropriate ongoing training in order to meet the growing banks' activities and about the introduction of new products.					
8	Internal auditors have the knowledge of audit principles, practices, techniques and client products to carry out their daily operation.					
9.	The internal audit department has enough number of staff who is accountable to commence auditing activities and special					

	investigation.					
10.	Internal auditors have educational back ground which is required for the position to carry out their work.					

	C. Regarding Compliance	SA	A	N	D	SD
S.N		5	4	3	2	1
1.	Internal auditor staff has the abilities to identify the elements of the audit, assess whether a particular subject matter is compliant with the established criteria and issue a compliance audit report.					
2.	Internal auditor promotes transparency by providing reliable reports as to whether resources have been well administered.					
3.	Internal auditor staff have the abilities promotes good governance both by identifying weaknesses and deviations from laws and regulations.					
4.	Internal auditor staff has the abilities to promote accountability by reporting deviations from and violations of authorities, so that corrective action may be taken and those accountable may be held responsible for their actions.					
5.	The auditor identifies criteria on the basis of the relevant authorities.					
6.	The auditor report is in due time when the findings are applicable and can be relevant to the intended user according the banks rules and regulation.					
7.	The auditor to apply professional judgment and skepticism to ensure that all reports are factually correct and that findings and conclusions are presented in a relevant to established standards.					

8.	The auditor checks the accuracy of facts with the audited entity and incorporates responses from responsible officials as appropriate.					
9.	The auditors evaluate the evidence obtained as to its sufficiency (quantity) and appropriateness (quality) Re-assessing risk and gathering further evidence as necessary.					
10	The auditor to consider all relevant audit evidence and standards before issuing the report.					

	D. Regarding Independence	SA	A	N	D	SD
S.N		5	4	3	2	1
1.	The auditors can audit one or more areas of the financial statements without any restriction.					
2.	Internal auditors are free from Self-interest, which means where an auditor could benefit from a financial or other form of interest in or relationship with the company being audited.					
3.	Internal auditors are free from Self-review which means when performance of services for an audit client that result in the audit firm auditing its own work.					
4.	The auditors are free from advocacy, which means acting as a promoter for an audit client's position in dealings with third parties.					
5.	Internal auditors are free from familiarity which reflects long association of an audit engagement partner.					
6.	Internal auditors are free from management intervention when they carry out their activities.					

7.	The auditor are Independent which means provide a clear picture of a company's worth, which helps to management and shareholders make an informed decision when considering whether to the bank is profitable or not.					
8.	Internal auditors are independent which protect banks from possible fraud and accounting improprieties and safeguard the financial interests of partners or shareholders.					
9.	Internal auditors are independent in preventing the bank from misappropriating funds and determine whether books and records have been properly kept and help the bank to be aware of any discrepancies.					

	E. Regarding Management Support	SA	A	N	D	SD
S.N		5	4	3	2	1
1.	The management launches having a schedule to support timely responses to auditor requests.					
2.	The management delegates responsibilities to all members involved in supporting the audit.					
3.	The management holding meetings during and after the audit to seek feedback and improve the audit process in the future.					
4.	The management establishes a transparent relationship with two-way, ongoing communication throughout the audit builds greater engagement on the part of management and may further support an effective, efficient and higher quality audit, benefiting both management and the auditor.					
5.	Management is accountable for ensuring that timely and appropriate actions are taken on all internal audit findings and					

	recommendations.					
6.	Before every audit and special investigation management can ensure that the necessary things are available for internal auditors to carry out their duties.					
7.	Management provides training and new technology to update internal auditors.					
8.	Management facilitates to provide enough budgets needed for auditors in order to carry their duties without any financial obstacles.					