



COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING AND FINANCE

THE ROLE OF AN INTERNAL AUDITING IN ACHIEVEMENT OF
ORGANIZATIONAL OBJECTIVES IN THE CASE OF COMMERCIAL BANK OF
ETHIOPIA

BY: - EDOM WUBESHET MEKONEN

ID NO.:-GSE/8203/2015

JUNE, 2025

ADDIS ABABA,

ETHIOPIA

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A THESIS SUBMITTED TO THE COLLEGE OF BUSINESS AND ECONOMICS, ADDIS
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As Thesis examiner, we certify that we have read and evaluated the Thesis prepared by Edom Wubeshet Mekonen entitled "The role of an internal auditing in achievement of organizational objectives in the case of commercial bank of Ethiopia" and recommend that the Thesis is accepted as fulfilling the thesis requirement for the degree of master of science in accounting and auditing.

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DECLARATION

I, Edom Wubeshet Mekonen declare that, this study, " The role of an internal auditing in achievement of organizational objectives in the case of commercial bank of Ethiopia" is my own work. I have undertaken the research work independently with the guidance and support of the research advisor. This study has not been submitted for any degree or masters program in this or any other institution. It is in partial fulfillment for the requirement of the program for the degree of master of science in accounting and auditing. All sources of material used for the research have been acknowledged.

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ABSTRACT:

This study was examined the role of internal auditing in achievement of organizational goals, in the case of the Commercial Bank of Ethiopia. This study focuses research questions related to the responsibilities of auditing, their contribution to risk management, corporate governance, and internal control processes, the effect of auditing independence on audit quality and organizational objectives, and the challenges faced in carrying out auditing their duties. The project research uses a descriptive research design, merging qualitative and quantitative approaches. The primary source of data collection was through questionnaires to employees of the Commercial Bank of Ethiopia, and from secondary sources such as current documents and reports. The sample size consists of 70 employees, determined using Israel's formula. Both open-ended and close-ended questions, is questionnaires from primary data collection method. STATA was used to analyze the collected data, using descriptive analysis techniques. Internal auditing helps to identify the actual and potential risk, helps to fill the process of decision making and policy development etc. Respondent express their response from neutral to strongly agreed for role of internal auditing if there is internal auditing independence, overall internal control process, overall corporate governance and risk management process. This implies internal auditing have higher role for achievement of organizational objective of commercial bank of Ethiopia if there is internal auditing independence, overall internal control process, overall corporate governance and risk management process. Internal auditing is expected to find creative ways to cope up with dynamic environment that will add value to the organization. This is achieved mainly when there is internal auditing independence, overall internal control process, overall corporate governance, and Risk management process. Internal auditing have better role for achievement of organizational objective if there is internal auditing independence, overall internal control process, overall corporate governance and risk management process. Internal auditing independence has better value for achievement of organizational objectives in the case of the Commercial Bank of Ethiopia. Auditing independency helps to avoid misstatement, subjectivity of audit report, biased, conflict of interest, hide of important fact, deny of information and records etc. so commercial bank of Ethiopia should protect the independency of auditing to achieve organizational objective and improve their role. Commercial bank of Ethiopia should also improve internal control process of internal auditing, overall corporate governance and risk management process of internal auditing.

Key terms: *internal auditing, role, organizational objective, Commercial bank of Ethiopia*

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CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

The globalization of the economy, technological advancement, complexity of business, and allegations of fraudulent financial reporting have recently sharpened the ever-increasing attention to internal auditing (Karagiorgos et al., 2009). The developing role of internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. Internal auditing helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes (Savcuk, 2007). Internal auditing plays a basic role in the administration and operation of an organization. When effectively executed, operated, and managed, it is an important element in helping an organization accomplish its objectives. Organizations that successfully use internal auditing are way better able to recognize business risks, process and framework inefficiencies, take appropriate corrective action, and eventually support nonstop enhancement (Institute of Internal Audit, 2010). According to Gunther et.al (2002) internal auditing was conducted in the diverse legal and cultural environment within an organization that varied in purpose, size, complexity, and structure and by persons within or outside the organization.

The role of auditing in the achievement of organizational objectives has been a topic of interest for many researchers in the field of accounting and finance. With the increasing complexity of business operations and the growing demand for accountability and transparency, the role of auditing has become more critical than before. Internal auditing evaluates the controls that help Organizations manage risks to ensure controls are in place, working, and cost-effective. Well-performing internal auditing function is one of the strongest means to monitor and promote a good governance system in an organization. Internal auditing is an essential part of the corporate governance mosaic in both the public and the private sectors. Internal auditing function has helped keep bad things from happening, assure good things can happen, and help management understand where their risks are, whether they are under control, and whether they are worth taking (Cohen et al., 2002). The

internal auditing should exercise due care in fulfilling his responsibilities, controlling, and recording the internal auditor should adequately plan, control, and record his work.

Internal auditing is an independent appraisal function established by the management of an organization for the review of the internal control system as a service to the organization. Internal audit action may lead to the strengthening of internal control as a result of management response. One of the goals of internal auditing is to assist management in the pursuit of value for money. This is achieved through economic, efficient, and effective use of resources. Internal audit is a management responsibility to maintain the internal control system and to ensure that the organization's resources are properly applied in the manner and on the activities intended.

The internal auditing should be free from undue influences that either restrict or modify the scope or conduct of the work or over-rule or significantly affect judgment as to the content of the internal audit report. The internal auditing should have regard to the possibility of such malpractice and should seek to identify serious defects in internal control that might permit the occurrence of such an event. An internal auditing that discovers evidence of, or suspect's malpractice should report firm evidence, or reasonable suspicions to the appropriate level of management. It is the management's responsibility to determine what further action to take. Independence; Independence is achieved through the organizational status of internal auditing and the objectivity of associated with the auditing function. The organizational status of internal auditing should enable it to function effectively. Organizations now demand great competency and professionalism from internal auditing, and scarce resources must be deployed more efficiently to minimize and manage risks. Technological advancement makes it possible to track and analyze data with continually increasing speed thus making it essential for organizations to be well advised by the internal auditing department. Internal auditing varies from one organization to another, and making changes to modern internal auditing practices can be a substantial undertaking. In many bank institutions, staff is poorly paid and unmotivated, ethical standards are weak, and ineffective governance practices lead to asset mismanagement (Rammamoorti, 2003).

Internal auditing is an autonomous and objective activity aimed at enhancing an organization's operations by providing value-added insights. It helps organizations achieve their goals by employing a systematic and disciplined approach to evaluate and enhance the effectiveness of risk management, control, and corporate governance processes. Audit

independence refers to the mindset that allows auditors to express their opinions without being influenced by factors that compromise their professional judgment, enabling them to act with integrity, objectivity, and professional skepticism. The primary objective of auditing financial statements is to enable auditors to express an opinion on whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework (IFAC, 2007).

Internal auditing has a number of aims and principles to which it is necessary to follow to. It is the board of directors of the bank, however, which bears ending responsibility that the bank's management applies an appropriate and effective system of internal auditing, a system of assessing banking activity risk and risks concerning bank capital, appropriate systems of monitoring compliance with laws, measures, and internal procedures. Similarly, the bank's management is responsible for drawing up procedures that classify measure, monitor, and control the risks that the bank faces. Internal auditing is a part of the repetitive monitoring of the internal control systems of the bank and its procedures for evaluating internal capital to achieve organizational objectives. As such, it assists management and the board of directors in the effective performance of their responsibilities as outlined above (Gramling, 1997).

An effective internal auditing function is a significant player in two basic governance activities; monitoring of risks and assuring controls. Furthermore, the internal auditing function plays a key role in compliance work and may also spend considerable time on consulting or operational-oriented work, to enhance the organization's effectiveness and efficiency; and all these elements map directly into organizational governance (Hermanson, 2003).

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. Internal auditing supports an organization achieve its objectives by bringing a systematic, disciplined approach to assess and improve the effectiveness of risk management, control, and governance processes. It serves as an important link in the business and financial reporting processes of corporations and plays a key role in monitoring a company's risk profile and identifying areas to improve risk management (IPPFW, 2013)

The independent auditors provide a special report to the company on significant or material deficiencies in internal control. This report on deficiencies should be prepared even if the company's management has addressed the deficiency and has implemented appropriate

controls to improve the effectiveness of the organization internal control. It provides various levels of assurance about different types of assertions. When auditing is not independent, any procedure performed would not be in accordance with generally accepted auditing standards, and the auditing process is precluded from expressing an opinion on the financial statements of the company (Bahram Soltani, 2007).

It is essential to discuss the relationship between corporate governance and auditing, which has become a very topical issue, as indicated by extensive debates in the financial community. To understand how corporations and their internal control processes function, external auditing of publicly listed companies are interested in the ways in which managers are made responsible to boards of directors and how they in turn are made responsible to shareholders. Corporate governance has also become a subject of reflection for market regulatory agencies as well as for the accounting and auditing profession (Bahram Soltani, 2007). The fundamental aspects of corporate governance interrelate with the disciplines of accounting and auditing. On the one hand, corporate governance, in its attempt to assure the better functioning of a company and to protect and enhance the interests of shareholders, needs the efficient reporting and planning and control systems associated with the accounting and auditing disciplines. On the other hand, corporate governance involves areas such as financial and non-financial systems of measurement, financial reporting, and feedback systems, as well as the verification of corporate information, issues which are also directly related to accounting and auditing. (Bahram Soltani, 2007).

The Commercial Bank of Ethiopia still dominates the market in terms of assets, deposits, capital, customer base, and branch network. Despite the growing competition from private banks, the Commercial Bank of Ethiopia is powerful in the rounded banking business especially on deposit mobilization strategy. This brand is one of the most reliable and strong commercial banks in the country. Accordingly, the Commercial Bank of Ethiopia envisions 'becoming a world-class commercial bank by the year 2025. In its strategic document, it is clearly stated that the bank values both its customers and employees as not only important but also essential actors in all its endeavors to fulfill public expectations. In any country, the banking sector plays a vital role in the overall development of primary and industrial sectors. The employees in a banking company make painful efforts to meet the multiple needs of its customers. The banking industry is still emerging industry in our country; the entry of private banks laid the foundation stone and passed a mile journey from its start. The banking industry is one of the fastest-growing industries in Ethiopia. Before 1991, the banking sector

was run by three government banks namely the Commercial Bank of Ethiopia, Development Bank, and Construction Bank. Following the Monetary and Banking Proclamation of 1994 several private banks have been opened in Ethiopia. The Commercial Bank of Ethiopia (CBE) dates back to the formation of the State Bank of Ethiopia in 1942. Commercial Bank of Ethiopia was lawfully established as a share company in 1963. Since then, it has been playing a significant role in the development of the country. Currently, Commercial Bank of Ethiopia has more than 38 million account holders in its more than 1950 branches and the number of Mobile and Internet Banking users also reached more than 6.6 million and 37 thousand active and ATM card holders reached more than 8.3 million and more than 17 million CBE Birr users. The bank has more than 49,000 permanent employees throughout 30 districts.

1.2. Statement of the Problem

Organizations are established to achieve their organizational objective. Achievement of organizational objectives is not an easy task. Achievement of organizational objectives requires the participation and cooperation of all individual workers, well management, control of assets from the risk of misuse, wastage, fraud, and theft timely and appropriate decision-making by top management. Technological advancement, complex transactions, and high consequences of errors have affected the auditing component of the profession and its role has expanded dramatically primarily because of the increased size and complexity of the company (Eldes, and et.al, 2010). Auditing is often regarded to be an independent process of ensuring an accurate and fair reporting of the financial records of the organization and the effective use of resources. Internal auditing could be used as a mechanism of risk management, corporate governance, and internal control of the organization. It is considered as a value-adding function that improves an organization's operations which are important to improve the effectiveness of risk management, control, and governance processes.

The main objective of an audit of financial statements is to enable the auditing to express an opinion on whether the overall financial statements (the information being verified) are prepared, in all material respects, by an identified financial reporting framework. The fundamental role of internal audit is to assist management in attaining the organization's goals and to implement a satisfactory internal control system for risk prevention. Internal audit is not only vital in efficient risk management, internal control, and corporate governance but it still plays a crucial role in the business survival and success of the organization (Bahram Soltani, 2007). Internal auditors are to assist the management of an

organization by giving valuable recommendations on weak areas to enhance the overall effectiveness and efficiency of the company's operations. They ensure adherence to all financial, personnel, lending, data processing, the other administrative policies and procedures as well as the economy, efficiency, and effectiveness with which resources are used. The role of internal audit is also considered in terms of management tools for achieving effective control by detecting the weaknesses in management operations. The purpose of an internal auditor which is established by management is to ensure the attainment of the entity's objectives, goals, and missions. Internal auditor is one of the essential mechanisms of the internal control system and an evaluation function available to an organization to examine and appreciate the proper functioning, consistency, and effectiveness of its internal audit (Bahram Soltani, 2007).

Few researchers identified several gaps by reviewing the theoretical and empirical literature ranging from geographical, methodologies used, time as well as the nature of the organization studied on the role of an auditor in the achievement of organizational objectives. Dereje, (2007) conducted a study on the role of internal Audits in public enterprises, and has identified what roles internal audits are playing to the Ethiopian Electric Power Corporation. Frazer (2020) conducted a study aimed at describing the role of internal auditors in Organizational Goal Achievement: The case of Addis Ababa City Government Revenue Authority. Results of the study implied that the scope and functions of Internal Audit, Internal audit as a mechanism of internal control, and the existence of internal audit for risk assessment were found important for wise use of resources, proper application of established procedures which have a direct linkage to the organizational goal achievement. Getaneh (2020) also conducted a study on the role of internal audit in the case of the Commercial Bank of Ethiopia. The result shows that internal audit plays an indispensable role in the achievement of an organization's objectives through ensuring effective and efficient utilization of resources, advocating ethical conduct throughout the organization, assessing and identifying system inefficiencies, and providing recommendations for better achievement. A research that has been conducted by Metadel, (2006) has studied the internal audit practice of GTZ. He assessed how the internal audit is in practice and its significance for an organization. Nigussie, (2007) also assessed how the internal audit is in practice of the Development Bank of Ethiopia and its significance for an organization.

Internal audit is an autonomous and objective activity aimed at enhancing an organization's operations by providing value-added insights. It helps organizations achieve their goals by

employing a systematic and disciplined approach to evaluate and enhance the effectiveness of risk management, control, and corporate governance processes. Audit independence refers to the mindset that allows auditors to express their opinions without being influenced by factors that compromise their professional judgment, enabling them to act with integrity, objectivity, and professional skepticism. The primary objective of auditing financial statements is to enable auditors to express an opinion on whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework (IFAC, 2007).

Currently, technological advancement, complex transactions, and high consequences of errors have affected the auditing component of the profession and its role has expanded dramatically primarily because of the increased size and complexity of the company. So the role of an auditor is vital for the achievement of organizational objectives. A search and review of the literature revealed that so little was done to examine the role of internal auditor in the achievement of organizational objectives. The studies used different methodologies and units of measurement to measure and analyze the role of internal auditor and organizational objective. Furthermore, to the best of my knowledge, there are no recent studies that have been on the role of internal auditor in the achievement of organizational objectives in the case of the Commercial Bank of Ethiopia. It is therefore pertinent that the objectivity function of auditing be aligned with the corporate objective of the organization. Despite the critical role that auditors play in ensuring the achievement of organizational objectives, there is a lack of research on the topic, particularly in the context of Commercial bank of Ethiopia. Therefore, from various theories and empirical literature, this study was assessed the role of internal auditing in the risk management process, overall corporate governance, internal control process, and auditor independence on the quality of audit reports and challenges faced by auditors in the discharge of their duties to achieve the organizational objective in case of commercial bank of Ethiopia.

1.3. Research Questions

This research paper aims to answer the following basic research questions

1. What is the role of an internal auditing in the risk management process in the case of the Commercial Bank of Ethiopia?
2. What is the role of an internal auditing in the corporate governance in the case of the Commercial Bank of Ethiopia?

3. What is the role of an internal auditing in the internal control process in the case of the Commercial Bank of Ethiopia?
4. What is the impact of internal auditing independence on the quality of audit reports and the achievement of organizational objectives?
5. What are the challenges faced by internal auditing in the discharge of their duties?

1.4. Objective of the study

1.4.1. General Objective

The general objective of this study is to examine the role of internal auditing in the achievement of organizational objectives in the case of the Commercial Bank of Ethiopia.

1.4.2. Specific objective

The specific objectives of this research are

1. To examine the role of the internal auditing in the risk management process in the case of the Commercial Bank of Ethiopia.
2. To investigate the role of the internal auditing in the overall corporate governance in the case of the Commercial Bank of Ethiopia.
3. To examine the role of the internal auditing in the overall internal control process in the case of the Commercial Bank of Ethiopia.
4. To examine the impact of internal auditing independence on the quality of audit reports and the achievement of organizational objectives
5. To investigate the challenges faced by internal auditing in the discharge of their duties

1.5. Significance of the Study

The study will expect to examine the role of an internal auditing in the achievement of organizational objectives in the case of the Commercial Bank of Ethiopia. The study could be important in providing some suggestions or recommendations that are used to take corrective measures to know the role of internal auditors and alleviate the problems. The study will also expect to reveal opportunities for the Commercial Bank of Ethiopia to align the company's strong risk management, corporate governance, and internal control system. Furthermore, the study will also be used as a source of information for future research.

1.6. Scope and limitation of the study

Undertaking research on the role of internal auditing in achieving organizational objectives at an international level, specifically within the banking industry, is a complex task as it necessitates significant financial resources, time, and a comprehensive understanding. It also covers huge area to analyze the role of internal auditor on organizational objective. These constraints have compelled the study to focus its research efforts solely on the commercial bank of Ethiopia, where the necessary resources and information are more readily accessible. The researcher examine the role of internal auditor on organizational objective through the risk management process, overall corporate governance, internal control process, and auditor independence on the quality of audit reports and challenges faced by auditors in the discharge of their duties to achieve the organizational objective in case of commercial bank of Ethiopia by implementing both qualitative and quantitative approaches and by using descriptive research approach. The researcher use both primary and secondary data to examine the role of internal auditor and analysis through stata software.

1.7. Organization of the study

This thesis was organized into five chapters. Chapter one is an introduction that contains: the background of the study, statement of the problem, hypothesis/research questions, research objectives, scope and limitation of the study, significance of the study, and the organization of the study itself. Chapter two provides a review of theoretical and empirical literature related to the role of auditors and the achievement of organizational objectives and conceptual framework. The research design and approaches, research method, population, sample and sampling procedure, data types and sources, and method of data analysis was discussed in the three chapters of the paper. Chapter four includes a discussion and interpretation of the results. Finally, chapter five presents the major findings, conclusions, and recommendations of the study.

CHAPTER TWO

LITERATURE REVIEW

2.1. Theoretical Literature Review

2.1.1. Nature of auditing

The nature of auditing has undergone significant changes in recent years due to environmental factors. However, traditional roles still define the disciplines within auditing. Auditing is the process of ensuring the reliability of financial statements prepared in accordance with generally accepted accounting principles or other relevant rules. While the management of the reporting entity holds the primary responsibility for the financial statements, independent auditors play a crucial role in the organization's financial reporting. Users of financial statements expect external auditors to bring technical competence, integrity, independence, and objectivity to the reporting process. An audit of historical financial statements is a systematic process of objectively obtaining and evaluating evidence to assess the correspondence between assertions about economic actions and established criteria. The results of the audit are communicated to interested parties. Auditing is a form of attestation service in which the auditor issues a written report expressing an opinion on the material conformity of the financial statements with generally accepted accounting principles or other recognized criteria (Bahram Soltani, 2007).

Auditing involves a thorough examination and verification of accounts and performance processes to determine the accurate positions and results of operations of both private and public organizations (MOFED, 2005). According to Hayes, Dassen, Schilder, and Wallage (2005), auditing is defined as a systematic process of objectively obtaining and evaluating evidence to assess the correspondence between assertions about economic actions and established criteria, with the results communicated to interested users.

2.1.2. A theoretical approach to auditing

Auditing is a practical discipline that deals with control mechanisms and instruments within various types of organizations. The development of standards, rules, and practices in auditing has been significantly influenced by audit-related bodies and public firms. However, to discuss the effectiveness of audit practices, it is valuable to examine auditing issues from a different perspective, as many techniques and instruments have evolved with the behavior of the parties involved in economic decision-making. Neglecting the theoretical foundations of auditing can limit its perspectives and hinder its appropriate development in a changing

environment. The need for theory in auditing, as in any other discipline, arises from the desire of interested parties to establish a solid basis for making financial decisions. Economic actors, seeking to maximize their wealth, want to explore all possible avenues to achieve this goal. Gaining the necessary knowledge about these options requires a deep understanding of economic variables and their relationships (Bahram Soltani, 2007).

2.1.3. Philosophy of auditing

In order to fulfill its mission and meet public expectations, auditing should not be allowed to develop in an ad hoc manner. It has been argued that a "philosophy" of auditing is necessary to provide guidance for auditing practices in an advanced economic society and to enhance the credibility of enterprises' financial statements (Michael Power, 1990). The study by Mautz and Sharaf (1961) was a seminal work in establishing the theoretical foundations of auditing and is considered a milestone in the field. According to their perspective, developing a philosophy of auditing involves studying its nature and problems in light of principles. This leads to an examination of its methods, presuppositions, and concepts. A philosophy of auditing seeks to establish first principles and provide a systematic organization of previously loosely structured practices and ideas. Internal auditing is an innovative function that focuses on emerging control and audit expertise, including control self-assessment, which involves engaging employees in diagnosing efficiencies and implementing improvements in various auditing areas. Internal auditors support management, boards of directors, and audit committees by examining, evaluating, and reporting on the adequacy and effectiveness of management's risk processes, and by making recommendations for improvements when necessary (Bahram Soltani, 2007).

2.1.4. The Importance of Internal Audit

Internal audit is an autonomous and objective activity aimed at enhancing an organization's operations by providing value-added insights. It helps organizations achieve their goals by employing a systematic and disciplined approach to evaluate and enhance the effectiveness of risk management, control, and corporate governance processes. Audit independence refers to the mindset that allows auditors to express their opinions without being influenced by factors that compromise their professional judgment, enabling them to act with integrity, objectivity, and professional skepticism. The primary objective of auditing financial statements is to enable auditors to express an opinion on whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework (IFAC, 2007).

Both external and internal auditing are in demand because they provide independent verification and help reduce errors in record-keeping, asset misappropriation, and fraud in business and non-business organizations (Ramamoorti, 2003). In the past, auditing started with a focus on verifying individual transactions but evolved into evaluating the effectiveness of transaction control systems. With the rapid development and complexity of business and government services, the demand for management and boards to ensure proper asset safeguarding, consistent results, and the achievement of organizational objectives has increased (MOFED, 2005). Internal audit has become an essential management tool for detecting weaknesses in organizational operations (Ali, 2017). Management requires evaluation of both work efficiency and employee honesty (Ramamoorti, 2003).

2.1.5. Various Forms of Audit Risk

Audit risk is a concept that guides auditors in approaching an audit. It has significantly influenced the audit practices of firms, particularly those auditing publicly listed companies. The audit risk-based approach, which emerged in the 1990s, was the profession's response to the demand for more effective and efficient auditing. This approach requires auditors to pay close attention to the risks they face during the audit. Auditors plan the audit engagement based on the desired level of audit risk, and it is an integral part of the overall audit process (Bahram Soltani, 2007).

2.1.6. Risk Assessment and the Auditor's Role

Risk assessment procedures are adopted by external auditors to gain an understanding of the company and its environment. These procedures provide audit evidence to support assessments of the risks of material misstatement in the financial statements. Auditors obtain evidence about transactions, account balances, disclosures, assertions, and control effectiveness, even if the procedures were not specifically planned for that purpose. The external auditor should have sufficient knowledge of the business to identify events, transactions, and practices that may significantly affect the financial statements or the audit examination. This knowledge assists auditors in assessing inherent and control risks and determining the nature, timing, and extent of audit procedures. Understanding the company's internal control system helps auditors assess the risks of fraud or error and identify significant risks that require special consideration. Business risks, arising from internal and external factors, go beyond the risk of material misstatement in financial statements (Bahram Soltani, 2007).

2.1.7. Roles and Responsibilities of Internal Auditors

Internal auditors play a crucial role in assisting members of the organization in effectively fulfilling their responsibilities. They provide analyses, appraisals, recommendations, counsel, and information related to the activities they review. Internal auditors act as explorers, analysts, problem solvers, reporters, and trusted advisors, bringing objectivity, skills, and expertise to the organization. They monitor the company's risk profile, identify areas for improving risk management, and review the effectiveness of the internal control system. The primary responsibility for preventing and detecting fraud and irregularities lies with the management, while the internal audit is responsible for continuously examining accounting books and records to detect fraud and correct errors (Badara, 2012). The internal audit's purpose is to ensure that the organization's objectives and goals are efficiently and reasonably achieved through the appraisal of the adequacy of the internal control system (IIA, 2016).

2.1.8. Internal control

Internal control refers to a company's process designed by its board of directors, management, and other personnel to provide reasonable assurance in achieving objectives. Implementing an internal control system is crucial for business reasons and is intertwined with the company's operational activities. It enables management to navigate a rapidly changing economic and competitive environment, make informed decisions, and plan for growth. Internal controls are established to keep the company on track towards growth, profitability, and mission accomplishment. The internal control system also includes mechanisms to identify risks in relation to the entity's objectives. Management puts in place internal control activities, monitors them, and evaluates their effectiveness. By integrating internal control, it becomes an integral part of the core management processes of planning, executing, and monitoring. Internal control tools are most effective when they are deeply ingrained in the company's infrastructure and become inherent characteristics that influence the management control process, focusing on the behavior of organizational members. Management control is the process through which managers influence other members of the organization to implement the organization's strategies.

Internal control originates from the board of directors and management as an integral part of governance and risk management. The effectiveness of internal control systems can vary. The involvement of management in implementing a satisfactory internal control system is crucial for achieving the organization's goals. An internal control system also requires extensive communication between management and other personnel. When implementing or

strengthening an internal control system, a company should strive for a system that meets four criteria: objectivity, measurability, completeness, and relevance. Management should assess whether job descriptions adequately cover all relevant tasks, provide sufficient detail, and ensure that employees are aware of and participate in updates to the job descriptions, as this can provide evidence of their operational effectiveness. (Bahram Soltani, 2007).

2.1.9. Internal audit as a mechanism:

Internal audit serves as a risk management mechanism in organizations. It plays a critical role in monitoring the organization's risk profile and implementing improved risk management procedures. Internal audit helps companies identify and evaluate risks, placing the profession at the forefront of risk management. Directors and management adopt an internal control process to ensure the organization's objectives are met in terms of operations, financial reporting, and compliance with regulations. External auditing standards state that effective internal audit functions can enhance the control environment by assessing a firm's internal control structure and monitoring various operations related to the control process and information system. Information asymmetry between divisions and senior managers weakens the ability of senior managers to effectively control operations. This problem arises due to internal agency costs resulting from incentive differences between upper management and lower-level staff. An internal audit includes a robust internal control system for reviewing and monitoring mechanisms. (Bahram Soltani, 2007).

Internal audit also plays a role as an internal governance mechanism in organizations. From an agency perspective, strong governance within a firm aligns management interests with stakeholders to minimize agency costs. Independent board chairs, independent directors, internal audit, external audit, and effective audit committees are different corporate governance mechanisms used to monitor management behavior in the company. However, conflicts between independent and executive directors due to information asymmetry indicate that internal audit is more likely to serve as a complementary mechanism.

2.1.10. Limitations on internal control

The human factor plays a significant role in the risk that can affect internal control. Errors in judgment, misinterpretation, misunderstandings, negligence, distractions, collusion, fraud, abuse, or overriding of controls within an organization can impact the effectiveness of internal control. Implementing internal control measures does not provide absolute assurance

to management regarding the achievement of organizational objectives or survival because various risk factors exist within the organization's environment and activities. Each control has associated costs, and the control activities must offer value that justifies their costs relative to the risks they address. Insufficient resources can also significantly limit the design of an internal control system, as organizations often implement these systems based on a cost/benefit analysis. Assessing the benefits of the system objectively becomes challenging. Therefore, when designing an internal control system, company management should gather sufficient information about the control environment and establish control activities that are proportionate to the risks faced by the organization. (Bahram Soltani, 2007).

An internal control system is influenced by environmental changes. In any activity, the priorities of objectives and the importance of risks will shift and change. Some changes are driven by external factors such as regulatory requirements and market forces. Hence, management needs to continuously review and update controls, integrate changes into the control process, and communicate necessary recommendations to company personnel. This requires management to identify changed conditions through a risk assessment cycle that undergoes regular revision and modification in a feedback process. The outcome of this process should provide reasonable assurance that the risk characteristics of different activities within the organization are properly identified, the responses to risk remain appropriately targeted and proportionate, and effective control measures are implemented, taking into consideration both internal and external environmental factors.

The auditor is also concerned with analyzing the company's business environment, particularly external factors related to the overall economy. These factors include financial aspects (such as equity markets, credit environment, and potential hostile takeovers), economic conditions (such as the company's sensitivity to inflation, interest rates, unemployment, and foreign currency rates), social considerations (such as cultural attitudes, societal opinions, and social pressures related to worker treatment and environmental concerns), and technological advancements and innovations. Legal and regulatory considerations are essential in analyzing the external environment, as political threats can arise from these sources. Compliance with laws can be complex and costly, but noncompliance can be even more expensive. Laws related to consumers, employees, anti-discrimination, and the environment can have a significant impact on an organization. The auditor needs to evaluate the risks arising from regulatory or legal constraints during an audit, as they can significantly affect both current and future company operations. It is worth noting

that some audit failures in recent years were attributed to auditors' insufficient investigation of legal and regulatory matters. The combined effect of industry, business, and legal forces creates a mosaic of risks (Bahram Soltani, 2007).

2.1.11. Internal control over financial reporting

An organization must have controls in place to ensure it operates in line with the intentions of its leaders. Every organization should allocate significant resources to protect itself from errors and fraud, and to ensure the reliability of information and the proper functioning of systems. Internal control devices within an organization are part of a dynamic and integral process. Internal control is not limited to specific events or circumstances but is spread throughout a company's activities. The success of the organization in achieving its goals and objectives largely depends on the efficiency and effectiveness of this process, as well as management's ability to adopt appropriate planning and control activities. It requires the involvement of management and personnel at all levels to address risks and provide reasonable assurance in achieving the organization's mission and overall objectives. The financial scandals at the beginning of the twenty-first century highlighted weaknesses in internal control as one of the causes of financial failures in the capital market and the overall economy. The effectiveness of internal control tools and techniques themselves has not been questioned, but rather their suitability to the current business environment and the manner in which they have been implemented within the control system (Bahram Soltani, 2007).

2.1.12. Enterprise Risk Management (ERM)

Enterprise Risk Management (ERM) has become a prominent business practice within organizations. It has become crucial for companies to identify effective ways of managing risks to maximize value. The use of enterprise risk management aims to manage the organization's primary business risks and opportunities with the goal of maximizing shareholder value (Bahram Soltani, 2007).

2.1.13. Organizational Goals

The ability of an organization's members to reliably and efficiently work towards achieving the organization's objectives is essential for its survival. Modern internal auditors strive to add value by focusing on improving procedures and policies, reducing costs, increasing the bottom line, and enhancing services for users. Internal audit encompasses the overall well-being of the organization, including addressing present and future events, and ensuring the accomplishment of organizational goals and objectives. Internal audit instills organizational

confidence, facilitates informed decision-making, and can even provide foresight by identifying trends and highlighting emerging challenges before they become crises.

Based on economic theory, organizations primarily seek to achieve goals such as profit maximization. However, profit is not the sole factor considered when choosing among different courses of action. Organizations are complex social systems with hierarchical structures that pursue a variety of organizational and personal goals. Common objectives for most companies include increasing sales growth, profitability, innovation, and risk diversification. Published objectives alone often provide limited operational guidance when selecting alternative plans. Therefore, a well-defined set of goals aligned with the organization's philosophy is currently connected to decision-making (Kotler, 1980).

2.1.14. The Link between Internal Audit and Organizational Goals

Internal auditing, as business partners, are expected to provide expertise to help organizations achieve their goals. They identify weaknesses and flaws in the internal control system and play a key role in reviewing the organization's processes, operations, and goals. Internal auditors offer objective and professional advice to all levels of management, contributing to continuous improvement. By applying a systematic and disciplined approach, internal audit helps organizations accomplish their objectives by evaluating and enhancing the effectiveness of risk management, control, and governance processes. Internal auditors must ensure that all their services contribute to organizational performance. They have a vested interest in all aspects of company operations and naturally strive to make those operations as profitable as possible. Internal audit delivers assurance by assessing and reporting on the effectiveness of governance, risk management, and control processes designed to help the organization achieve strategic, operational, financial, and compliance objectives (Ramamoorti, 2003).

2.1.15. Auditor independence and organizational objective

The independent auditors address a special report to the company on significant or material deficiencies in internal control. They report on deficiencies should be prepared even if the company's management has addressed the deficiency and has implemented appropriate controls to improve the effectiveness of internal control of the organization. It provides various levels of assurance about different types of assertions. When an auditor is not independent, any procedure performed would not be in accordance with generally accepted auditing standards, and he or she is precluded from expressing an opinion on the financial

statements of the company. The lack of independence of an auditor in such cases is rare but it could happen (for example, when, after performing the audit, it is discovered that one of the auditors (and/or partner) on the engagement had a substantial financial interest in the client or they have financial relations with a member of board of directors). In such cases, a one-paragraph disclaimer should be issued specifically stating lack of independence of the auditor but omitting the reasons for it and omitting the reasons for the lack of independence, the auditor eliminates the possibility of any misinterpretation by the reader on the issue that auditor must handle (Bahram Soltani, 2007). Auditor independence refers to the independence of the internal auditor from parties that may have a financial interest in the business being audited. It guarantees that auditors do not have any financial interest in the firms in which they are auditing.

2.1.16. Auditing and corporate governance

It is essential to discuss the relationship between corporate governance and auditing, which has become a very topical issue, as indicated by extensive debates in the financial community. To understand how corporations and their internal control processes function, external auditors of publicly listed companies are interested in the ways in which managers are made responsible to boards of directors and how they in turn are made responsible to shareholders. Corporate governance has also become a subject of reflection for market regulatory agencies as well as for the accounting and auditing profession (Bahram Soltani, 2007). Corporate governance is the system by which companies are governed and controlled. It is concerned with the ways in which corporations are governed generally and in particular with the relationship between the management of a company and its shareholders.

Recent corporate financial crises have raised the question of the role of governance structure in all types of corporations, particularly publicly held companies. Although corporate governance is a long-standing issue, recent crises have given fresh impetus to the debate. The features of corporate governance concern the enhancement of corporate performance via the supervision, or monitoring, of management performance, and ensuring the accountability of the management to shareholders and other stakeholders. (Bahram Soltani, 2007). The efficiency of corporate governance depends, to a great extent, on the effectiveness of the internal control systems and mechanisms of accountability and stewardship.

With regard to corporate governance emphasize the stewardship role of governance in the event of misappropriation of funds by managers. It is about how those entrusted with day-to-

day management of a company's affairs are held to account by shareholders and other providers of finance, and whether the organization has the appropriate structure to underpin accountability. It is about how the company presents itself to the wider world: to shareholders, to potential investors, to employees, to regulators and to other interested groups with a legitimate interest in its affairs. However, because of internal and external environmental factors, the success of governance systems within corporations is inevitably related to the viability of management policies and control mechanisms, which should respond to such factors. The effectiveness of corporate governance depends on corporate practices because the governance structure is more than just a set of specific rules, regulations and policies that companies must follow. No set of laws and regulations can ensure an adequate system of corporate governance, without a supporting cultural and institutional structure. (Bahram Soltani, 2007).

Besides that, the effectiveness of corporate governance and its successful implementation within a company largely depend on the active and informed involvement of all the economic actors within an organization. Effective corporate governance must include the active and collaborative participation of all of its principal elements the board of directors, audit committee, management, internal auditors and independent auditors. Ensuring that this occurs is fundamental to the success of corporate governance structures. With the strong involvement of management functions in financial matters, effective corporate governance contributes to the stability of companies and the quality of their financial reporting. For this reason, the corporate structure should be viewed as an essential component of good management. This suggests that companies, particularly those publicly listed on stock exchanges, continually strive to improve their corporate governance practices and policies. This also requires a thorough understanding of the applicable rules and regulations to design and manage an effective corporate governance system. Corporate governance has been a big issue in recent years and it will continue to be so for the foreseeable future. The system of corporate governance interacts with many other fields in the economy. In part, its importance is related to its interrelationship with disciplines such as law, organizational behavior, finance, and accounting and auditing. Similarly, several theories in organizational functioning, contracting, agency and control support the foundations of corporate governance. Corporate governance is also very much influenced by the way labour and tax laws are regulated, bankruptcy procedures are filed and accounting and auditing practices are generally accepted in each environment. (Bahram Soltani, 2007).

The fundamental aspects of corporate governance interrelate with the disciplines of accounting and auditing. On the one hand, corporate governance, in its attempt to assure the better functioning of a company and to protect and enhance the interests of shareholders, needs the efficient reporting and planning and control systems associated with the accounting and auditing disciplines. On the other hand, corporate governance involves areas such as financial and non-financial systems of measurement, financial reporting, and feedback systems, as well as the verification of corporate information, issues which are also directly related to accounting and auditing. (Bahram Soltani, 2007). The increased recognition of the importance of efficient corporate governance and management control systems in the corporate financial reporting process has inevitably influenced the audit function. As a result, the external auditors have been obliged to extend their responsibilities by considering and including the characteristics of corporate governance and management control systems in the audit process (Cohen and Hanno, 2000).

The audit report is an essential element in the corporate financial system and hence is one of the cornerstones of corporate governance. The auditors' role is to report to shareholders and other users on whether a company's financial statements give a true and fair view, and the audit process is designed to provide a reasonable assurance that they are free of material misstatements. Although there is some confusion and misunderstanding over the responsibilities of directors and auditors for financial statements, the efficiency of corporate governance structure depends, to great extent, on success in the communication process, in which the auditor plays an important role.

In corporate reporting, the performance of external auditors depends very much on high quality control mechanisms and an active audit committee structure within the corporate framework. There are many areas in which a conflict of interest may arise between a company's management and its external auditors, for example with regard to the content of financial statements and notes prepared by management. In the absence of an efficient corporate governance structure, auditors may lose their independence, because they may be tempted to give in to management pressure to secure their interests.

Studies have looked at the effect of corporate governance structure on auditors' performance and/or function. Cohen and Hanno (2000) examined how auditors take corporate governance and control mechanisms into consideration when planning the audit. Cohen and Hanno showed that auditing of companies with independent boards of directors and audit

committees was perceived by auditors to have lower audit risk. These results provide insight into the effect of corporate governance and management control systems as the two most important elements of the control environment within a company in preplanning and planning judgments in the audit process.

In considering the relationships between auditing and corporate governance, some authors have gone further and taken environmental and social factors into account by focusing on wider stakeholder and societal interests. For example, Baker and Owsen (2002) argued that the role of auditing should be enhanced to increase control of corporations for the benefit of all stakeholders. The essence of this idea is that while the external auditors report to shareholders, the expectation may be that their views will be more broadly focused to respond to increasing demands from other interested parties. This may require changes in the scope of audits concerning reporting and internal control aspects of listed companies for which wider interests exist in capital markets, due to the increasing demand expressed by large number of stakeholders and various regulatory bodies (Bahram Soltani, 2007).

2.2. Empirical Literature Review

The empirical literature review highlights the consistent findings across various studies regarding the role of internal auditing in assessing the effectiveness of the internal control system to achieve organizational objectives.

Buregeya (2007) conducted a mixed-method research study on the role of internal auditing in improving the performance of the Rwanda Revenue Authority. The study found that the majority of respondents recognized the significant impact of internal audit on enhancing the organization's performance.

Musyoka (2016) conducted a study in the hospitality industry in Sankara Nairobi, focusing on factors influencing organizational performance. The study identified strong relationships between shared values, employee skill sets, information technology systems, and performance.

Puttikunsakon (2015) investigated best internal audit practices and their relationship with organizational success in Thailand. The study surveyed internal audit executives from ISO 9000 manufacturing firms and found that effective implementation of these practices positively correlated with risk reduction, operational excellence, and fraud detection

effectiveness. The study also highlighted the positive influence of external environmental changes and the competency of the audit committee on best internal audit practices.

Ayele (2019) conducted a study on the determinants of internal audit effectiveness in selected budgetary public sectors in Ethiopia. The study found statistically significant positive relationships between the quality of internal audit work, management support, and the effectiveness of internal audit. However, no statistically significant relationship was found between the independence and competence of the internal audit team and the effectiveness of internal audit.

Ali (2017) examined the impact of internal audit on the organizational performance of companies. The study found a significant positive impact of internal audit on organizational performance.

Furthermore, several studies have explored the role of auditors in achieving organizational objectives more broadly. For example, Chen et al. (2010) found a positive relationship between auditor quality and financial statement quality, which subsequently influenced corporate governance. Ashton (2017) emphasized the auditors' contribution to ensuring the integrity of financial reporting, while Frank (2016) highlighted the impact of auditor quality on corporate governance.

In the Ethiopian context, studies have focused on the role of internal audit in specific organizations such as the Ethiopian Electric Power Corporation, Addis Ababa City Government Revenue Authority, and commercial banks. These studies have highlighted the importance of internal audit in resource utilization, ethical conduct, system efficiency assessment, and providing recommendations for improvement.

Overall, the literature emphasizes the significant role of auditors, both internal and external, in assessing internal control systems and contributing to organizational objectives.

Numerous studies have consistently emphasized the importance of internal audit in assessing the effectiveness of the internal control system in achieving organizational objectives. Several empirical studies provide evidence supporting this claim. For example, Buregeya (2007) conducted research on the role of internal auditing in improving the performance of the Rwanda Revenue Authority. The study utilized mixed research methods and found that the majority of respondents recognized the significant impact of internal audit on enhancing the organization's performance.

Similarly, Musyoka (2016) examined factors influencing organizational performance in the hospitality industry in Sankara Nairobi. The study surveyed 300 employees and identified strong relationships between shared values, employee skill sets, information technology systems, and performance.

Another study by Puttikunsakon (2015) investigated best internal audit practices and their relationship with organizational success in Thailand. The study gathered data through a questionnaire survey of 1,187 internal audit executives from ISO 9000 manufacturing firms, with 186 complete responses. The results indicated that effective implementation of best internal audit practices positively correlated with risk reduction, operational excellence, and fraud detection effectiveness. Additionally, external environmental changes and the competency of the audit committee had a positive influence on best internal audit practices.

Ayele (2019) conducted research on the determinants of internal audit effectiveness in selected budgetary public sectors in Ethiopia using mixed research methods. The study found statistically significant positive relationships between the quality of internal audit work, management support, and the effectiveness of internal audit. However, the study found no statistically significant relationship between the independence and competence of the internal audit team and the effectiveness of internal audit.

Similarly, Ali (2017) examined the impact of internal audit on the organizational performance of companies through a questionnaire-based survey and multiple linear regression analysis. The results revealed a significant positive impact of internal audit on organizational performance.

In addition to these specific studies, several empirical investigations have explored the role of auditors in achieving organizational objectives. Chen et al. (2010) found a positive relationship between auditor quality and financial statement quality, which subsequently influenced corporate governance. Knechel et al. (2010) demonstrated that auditor independence positively correlated with financial statement quality and corporate governance.

Ashton (2017) focused on auditors' contribution to ensuring the integrity of financial reporting and highlighted their role in detecting and rectifying errors, thereby enhancing the accuracy and reliability of financial statements.

Frank (2016) examined the impact of auditor quality on corporate governance and discovered that high-quality auditors were more effective in detecting and correcting errors, leading to improved corporate governance.

Other studies by Hackston (2017) and Zhang (2019) emphasized the crucial role of auditors in ensuring the accuracy and reliability of financial statements, which ultimately contributes to overall organizational performance.

Furthermore, studies specific to Ethiopia have also explored the role of internal audit in various organizations. Derjie (2007) assessed the roles of internal audit in the Ethiopian Electric Power Corporation, while Frezer (2020) examined the role of internal auditors in achieving organizational goals in the Addis Ababa City Government Revenue Authority. Getaneh (2020) investigated the role of internal audit in a commercial bank in Ethiopia, highlighting its importance in resource utilization, ethical conduct, system efficiency assessment, and providing recommendations for improvement. Metadel (2006) conducted a study on the internal audit practices of GTZ, assessing its significance for the organization. Nigussie (2007) also evaluated the practice of internal audit in the Development Bank of Ethiopia and its significance for the organization.

Recently Aschalew kassaw (2021) also examine the role of internal audit in achieving organizational objectives in terms of profitability with focus on Dashen bank Share Company. The study investigates the relationship between the roles of internal audit and profitability of the organization. The dependent variable was organizational goals measured in terms of profitability and the independent variables were independency of internal audit task, competency of internal auditors, internal control system, and management support and risk management practice. This research was conducted on Dashen bank Share Company by collecting primary data. Questionnaires were prepared using Likert scale and distributed to 120 internal auditors of Dashen bank S.C. and interviews for top management. The researcher used purposive sampling techniques to select the participants. The descriptive statistics was used to analyze the roles of internal audit of the organization and inferential analysis to determine the cause and effect relationship between dependent variable and independent variables. According to regression output the internal auditor competency, independency of internal audit activity and internal control system affect the organization profitability significantly and positively. And also management support affects the profitability of the organization significantly and negatively. The remaining variable was negatively related with

organizational profitability but its contribution was statistically insignificant. Thus, the researcher recommended that the organization top management and board of directors should work together with internal audit department, provide budget and appropriate training to enhance their competency and add value for the organization profitability.

Mekides fikadu (2021) conduct a study on organization performance requires appropriate internal audit practices to improve effectiveness & efficiency. For the purpose of this study the researcher intended to determine the result of internal audit on organizational performance of ESLSE. Internal audit was regarded at from the viewpoint of internal audit standards, professional competency, internal controls and independence of internal audit. The data obtained was primarily quantifiable in nature and hence was analyzed by descriptive analysis. The total population of the study was 60; due to the lesser size of the population the researcher used all target groups as a sample. The researcher handled a survey questionnaire to each member of the target population since it was the most suitable tool to gather information. The result of the study found that internal audit effectiveness positively affected by internal control, corporate governance, risk management and management support of the organization. In addition the study finding also showed that effectiveness of internal audit has direct impact on organizational performance of the company.

Despite the existing literature on the role of auditors in achieving organizational objectives, there is a research gap concerning the specific context of the Commercial Bank of Ethiopia. This study aims to address this gap by investigating the role of auditors in attaining organizational objectives within this particular case. The increasing complexity of transactions and technological advancements has expanded the role of auditors, making their contribution to organizational objectives crucial. Therefore, this research project seeks to align the objectivity function of auditing with the corporate objectives of the Commercial Bank of Ethiopia.

2.3. Justification of the Research Project

The primary purpose of auditing financial statements is to enable auditing to express an opinion on whether the overall financial statements, based on an identified financial reporting framework, are prepared in accordance with relevant standards. Internal audit plays a fundamental role in helping management achieve organizational goals and establish effective internal control systems to prevent risks. Internal audit is not only crucial for efficient risk management, internal control, and corporate governance but also plays a vital role in the

survival and success of the organization. Internal auditors provide valuable recommendations to enhance the overall effectiveness and efficiency of the company's operations. They ensure compliance with financial, personnel, lending, data processing, and other administrative policies and procedures, as well as the economical, efficient, and effective use of resources. Internal audit also serves as a management tool for achieving effective control by identifying weaknesses in management operations. The purpose of internal audit, as established by management, is to ensure the entity's objectives, goals, and missions are attained. It is an essential component of the internal control system and serves as an evaluation function to assess the proper functioning, consistency, and effectiveness of internal audit operations.

Several researchers have identified gaps in the literature regarding the role of auditors in achieving organizational objectives, including geographical, methodological, temporal, and organizational nature gaps. Studies conducted by Derjie (2007), Frezer (2020), Getaneh (2020), Metadel (2006), and Nigussie (2007) have examined the role of internal audit in different contexts and highlighted its importance in resource utilization, ethical conduct, system efficiency assessment, and recommendation provision for better achievement of organizational goals. Derjie (2007) assessed the roles of internal audit in the Ethiopian Electric Power Corporation, while Frezer (2020) examined the role of internal auditors in achieving organizational goals in the Addis Ababa City Government Revenue Authority. Getaneh (2020) investigated the role of internal audit in a commercial bank in Ethiopia, highlighting its importance in resource utilization, ethical conduct, system efficiency assessment, and providing recommendations for improvement. Metadel (2006) conducted a study on the internal audit practices of GTZ, assessing its significance for the organization. Nigussie (2007) also evaluated the practice of internal audit in the Development Bank of Ethiopia and its significance for the organization.

Internal audit is an autonomous and objective activity aimed at enhancing an organization's operations by providing value-added insights. It helps organizations achieve their goals by employing a systematic and disciplined approach to evaluate and enhance the effectiveness of risk management, control, and corporate governance processes. Audit independence refers to the mindset that allows auditors to express their opinions without being influenced by factors that compromise their professional judgment, enabling them to act with integrity, objectivity, and professional skepticism. The primary objective of auditing financial statements is to enable auditors to express an opinion on whether the financial statements are prepared, in all

material respects, in accordance with an identified financial reporting framework (IFAC, 2007).

With technological advancements, complex transactions, and higher consequences of errors, the role of auditors has expanded significantly due to the increased size and complexity of companies. Therefore, the role of auditors is vital for achieving organizational objectives. However, there is a lack of research focusing on the role of internal auditors in achieving organizational objectives within the Commercial Bank of Ethiopia. Existing studies have used different methodologies and measurement units to analyze the role of auditors and organizational objectives. Furthermore, there is a dearth of recent papers on this topic. Consequently, this research aims to investigate the role of auditors in attaining organizational objectives within the context of the Commercial Bank of Ethiopia. The objective is to align the objectivity function of auditing with the corporate objectives of the organization.

2.4. Conceptual Framework

The conceptual framework utilized in this study is based on agency theory and signaling theory. According to this framework, auditors play a crucial role in resolving conflicts between management and shareholders by providing valuable information that indicates the quality of financial statements.

Having high-quality auditing contributes to the precision and dependability of financial statements, thereby enhancing the overall effectiveness of corporate governance.

The literature review emphasizes the significance of auditor quality, independence, and expertise in attaining organizational objectives. Competent auditors are more effective in identifying and rectifying errors, resulting in improved organizational performance.

To summarize, the literature review and conceptual framework provide a strong foundation for examining the role of auditors in achieving organizational objectives within a specific district of the Commercial Bank of Ethiopia. This study will contribute to the existing knowledge on auditing and organizational performance, offering valuable insights to enhance the effectiveness of auditors in the bank.

The conceptual framework encompasses the following variables:

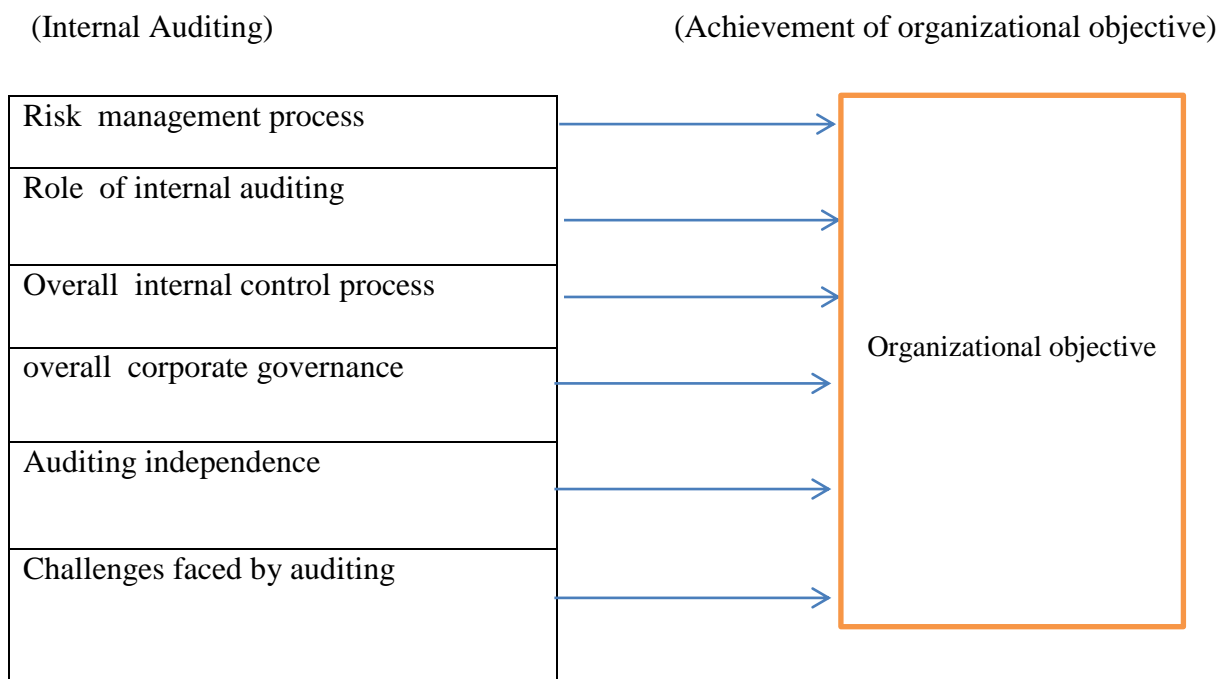
Auditor quality: Refers to the expertise, experience, and independence of auditors. Financial statement quality: Indicates the accuracy and reliability of financial statements. Corporate governance: Reflects the effectiveness of corporate governance mechanisms, including the board of directors, internal control systems, and reporting. Organizational objectives: Encompasses the goals and objectives of the organization, such as profitability, efficiency, and growth.

The conceptual framework is presented as follows:

Auditor quality → Financial statement quality → corporate governance → Organizational objectives

In summary, the literature review and conceptual framework serve as a solid foundation for the study on the role of auditors in achieving organizational objectives within the Commercial Bank of Ethiopia in a specific district. This study will contribute to the existing body of knowledge on auditing and organizational performance, providing insights to enhance the effectiveness of auditors in the bank.

Figure 2.1 Theoretical frame works for the role of an auditing in achievement of organizational objectives.



Source: (Bahram Soltani, 2007).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Introduction

The study was examined the role of an auditing in the achievement of organizational objectives in the case of the Commercial Bank of Ethiopia. The methodology is an important part of the research activity to develop an effective research design that shows the logical link between the data collected, the analysis, and the conclusions to be drawn. This design satisfies the most suitable methods of investigation, the nature of the research instruments, and the types of data (De Wet, 1997). The previous chapter indicates the literature on the role of the auditing and the achievement of organizational objectives. This chapter presents the methodology, which will use to conduct this research. It covers the research design and approaches, data type and sources, population, samples, and sampling techniques, data collection methods and instruments, variables of the study, method of data analysis, and ethical considerations of the research.

3.2. Research Approach

The objective of this research is to examine the role of an internal auditing in the achievement of organizational objectives in the case of the Commercial Bank of Ethiopia. To accomplish the researcher of this study will implement both qualitative and quantitative approaches. The quantitative approach will provide absolute values during the research by using survey questionnaires to collect numerical or measurable data. On the other hand, the qualitative method is equally accompanied as it possibly answers questions of why, how, and in what way by using interviews and questionnaires.

3.3. Research design

Different types of research methods could be used when doing research such as descriptive research, causal/explanatory research, exploratory research, etc. Based on its purpose descriptive research design will be used in this study to investigate the role of an auditor in the achievement of organizational objectives in the case of a commercial bank in Ethiopia.

3.4. Data type and sources

The data was collected from both primary and secondary sources. The primary data was primarily be gathered through the distribution of questionnaires to the staff of the Commercial Bank of Ethiopia. On the other hand, the secondary data was extracted from various existing sources, such as company records, publications, industry analyses provided by the media, web publications, and other relevant manuals and documents of the Commercial Bank of Ethiopia. The secondary data for this study was obtained from sources such as the organization's website, annual reports, and articles that can support the literature review.

3.5. Population, sample size, and sampling technique

Determining an appropriate sample size is crucial to ensure that the selected sample members are representative of the population, allowing for generalizable conclusions. In this study, the population consists of the employees of the Commercial Bank of Ethiopia, which currently employs over 49,000 individuals across its head office and various branches. The target population of this study is auditors and management of the audit department. The total size of auditors and management in audit area are 226 (CBE, audit department report of 2024). The sample size was determined using Israel's (1992) formula, considering an error margin of 10% and a confidence coefficient of 90%, and the following equations apply

$$n = N / 1 + N * e^2$$

Where,

n= sample size

N= the total size of the population

e= acceptable sampling error, 90% confidence level with 10% precision. Accordingly, the sample is determined as follows:

$$n = 226 / 1 + 226 * 0.12$$

$$n = 70$$

This means that the questionnaire should be distributed to 70 Employees to achieve a 90% confidence level.

To conduct this study was employed a combination of probability and non-probability sampling techniques. The non-probability sampling technique will be utilized to select the audit department and management of the Commercial Bank of Ethiopia through purposive sampling methods. The selection criteria were considered factors such as position and role. To ensure fairness in the selection process, I used a simple random sampling method to choose employees and distribute questionnaires among the selected groups, based on the predetermined sample size.

3.6. Data Collection Method

As part of the data collection process, as a researcher was conducted a comprehensive review of documents and reports from the Commercial Bank of Ethiopia. Secondary sources for this study were included published books, internet websites, journals, previous research papers, and archival documents. Published books were examined to review relevant theoretical literature and provide insights into research findings. Journals and research papers were utilized for empirical studies, serving as a foundation for this study and contributing new findings to the existing knowledge. Internet websites served as valuable sources for unpublished books, journals, bank reports, and research papers.

The primary instrument for data collection in this study was a questionnaire. According to Leary (2004), questionnaires are cost-effective, easy to administer to a large number of employees, and less time-consuming. They also yield more consistent and reliable results compared to other data collection methods. The researcher was personally distributed the questionnaires to all respondents and guide them to ensure unbiased responses. The survey questionnaire systematically gathered data by addressing key issues and opinions relevant to the study. It will consist of a combination of open-ended and close-ended questions. The open-ended questions allowed participants to express their general opinions on factors influencing their performance, while the close-ended questions measured respondents' opinions and the extent of their agreement.

3.7. Data Analysis Method

The collected data underwent processing, analysis, and interpretation to report findings concerning the Commercial Bank of Ethiopia. The data analysis process commenced with editing and categorizing the collected data to extract meaningful and pertinent information for the study. Errors or omissions in the data were identified during the editing phase. Once the reliability of the data collection instruments was confirmed, the researcher proceeded to administer the questionnaire. The researcher distributed and collected the questionnaires from

the participants. After gathering information from the questionnaires, interviews, and documents, the data were analyzed using the Statistical Package for the Social Sciences software (SPSS) or state. The quantitative data collected in this research were subjected to descriptive and inferential analysis. The data obtained from the questionnaires were analyzed and summarized using graphs, tables, frequencies, and percentages to investigate the role of auditors in achieving the organizational objectives of the Commercial Bank of Ethiopia.

3.8. Ethical Considerations and Confidentiality

This study drew upon data obtained from both primary and secondary sources. In the data collection process, utmost attention was given to ethical considerations. The study prioritized voluntary participation, ensuring no harm was inflicted upon the participants, guaranteeing anonymity and confidentiality, and transparently conveying the purpose and sponsors of the study. Participants had the choice to participate willingly, and their privacy and anonymity were safeguarded, with the data being used solely for academic purposes. As stated by Cresswell (2012), the researcher recognized the importance of respecting the participants and research sites during the data collection phase. Objectivity, courtesy, and the avoidance of falsification, alteration, or misinterpretation of data for political or other agendas were strictly adhered to throughout the study. Furthermore, offensive, discriminatory, or inappropriate language was entirely avoided when formulating the questionnaires for this research.

CHAPTER FOUR

RESULTS , ANALYSIS AND DISCUSSION

4.1. Introduction

The objective of this study was to examine the role of an internal auditing in the achievement of organizational objectives in the case of the Commercial Bank of Ethiopia. This chapter offered the results and findings of the research. The chapter mainly includes data analysis and results from the statistical tests conducted on the gathered primary data. The research mainly emphasis was to examine the role of auditing in the achievement of organizational objectives with risk management process ,overall corporate governance , overall internal control process , internal auditor independence , and the challenges faced by internal auditors in the discharge of their duties. Primary data was collected from the employees of commercial bank of Ethiopia using questionnaire and secondary data was collected through reviewing of banks news, procedure, and annual reports. The collected data were described and analyzed using statistical tool of percentage , frequency and correlation with the help of Stata.

4.2. Demographic information of respondents

The demographic information of respondents is organized for this study in terms of gender, age, marital status, educational level, and work experience and position status. The following table summarizes the demographic profile of respondents.

Table 4.1. Personal information of respondents

1. Gender	Number	Percentage
Male	62	88.57%
Female	8	11.43%
Total	70	100%
2. Age		
20-29	0	0%
30-39	25	35.72%
40-49	33	47.14%
Above 50	12	17.14%
Total	70	100%
3. Education level		
Diploma	0	0%

First degree	42	42%
Masters degree	28	40%
Others	0	0%
Total	70	100%
4. Work experience		
Less than 1 years	0	0%
1-5 years	4	5.71%
6-10 years	0	0%
11- 10 years	29	41.43%
Above 21	37	52.85%
Total	70	100%
5. Marital status		
Single	4	5.71%
married	66	94.29%
Divorced	0	0%
Total	70	100%
6. Position status		
Audit Management	5	7.1%
Auditor	65	92.9 %
Total	70	100

Source own survey, 2024

From the above table, the gender compositions of the sampled respondents showed that 88.57% were male and 11.43% of respondent were female. The result of age distributions in Table 4.1 indicated that the largest number of the respondents were in the 40-49(47.14%) age group, followed by those aged 30-39 (35.72%). The third highest age groups of respondents are above 50 (17.14%) and the lowest readings above 0 % represents age group were 20-29.Regarding the educational level of the respondents, it was clear from the table that most were first degree holders 42 (60%).This was followed by those holding a master's degree 28 (40%) , while diploma holders and others constituted (0%).

Regarding Table 4.1,the majority of the respondents had worked in the organization for over 21 years,totaling 37 respondent (52.85%) , followed by 29 (41.43%) respondents who had been with the organization for 11-20 years, 4 (5.71%) respondents had been there for 2-5

years. The marital status of the respondent's shows that the majority were married 66 respondents (94.29%) followed by singles 4 respondents (5.71%). Almost 92.9% of the respondent's held non-managerial(auditor),while the rest of 7.1% were in audit management position.

4.2. Descriptive Analysis

The analysis in Table 4.2 showed the descriptive statistics (mean and standard deviation) of the role of internal auditor variables such as risk management process, overall corporate governance, overall internal control process, internal auditor independence and achievement of organizational objective.

Table 4.2 Mean Value and standard deviation of Variables

Variables	Obs	Mean	Std.Dev	Min	Max
internal auditor independence	70	4.71	0.455	4	5
overall internal control process	70	4.52	0.607	3	5
overall corporate governance	70	4.58	0.601	3	5
risk management process	70	4.47	0.607	3	5

Source own survey, 2024

As seen in Table 4.2 a better mean result was found for a single variable. Internal auditor independence had a mean value of $M= 4.71$ ($Std.Dev=0.455$).This showed that internal auditor independence was higher than all other variables, implying that employee's valued internal auditor independence more for achieving organizational objectives in the case of the Commercial Bank of Ethiopia. Audit independency helps to avoid misstatement, subjectivity in audit report, bias, conflict of interest, hide of important fact, denial of information and records etc. The mean value of the variable that reflecting internal audit ranged from 4.47 to 4.71. This shows that internal auditors strongly preferred independence, as well as a better overall internal control process, overall corporate governance and risk management process. The mean values for overall corporate governance were 4.58 and the mean value for the overall internal control process was 4.52. The mean value for the risk management process is 4.47. This indicated that internal auditor helped identify the actual and potential risks, contributed to the decision making process and supported policy development, all of which

facilitated the achievement of organizational objectives. Respondents express their views from neutral to strongly agree regarding the role of internal auditor in the presence of internal auditor independence, an overall internal control process, overall corporate governance and a risk management process. This implied that internal auditors played a significant role in achieving the organizational objectives of commercial bank of Ethiopia when there was internal auditor independence, an overall internal control process, overall corporate governance and a risk management process.

4.3. Correlation Analysis

In statistical terms, Correlation is a method of assessing a possible two way linear association between two continuous variables. In this section, the direction and level of the strength of the relationship among the variables were determined. Correlation analysis is useful way of exploiting relation (association) among variables. The value of the coefficient (r) ranges from -1 up to +1. The value of coefficient of correlation (r) indicates both the strength and direction of the relationship. If $r = -1$ there is perfectly negative correlation between the variable. If $r = 0$ there is no relationship between the variable and if $r = +1$ there is perfectly positive relationship between the variables.

Table 4.3 Correlation Coefficient Table

	Internal auditing independence	Overall internal control process	Overall corporate governance	Risk management process
Internal auditing independence	1			
Overall internal control process	0.3447	1		
Overall corporate governance	0.1966	0.4493	1	
Risk management process	0.2847	0.4542	0.5422	1

Source: - STATA 13 results

Based on the above table 4.3, all independent variables such as internal auditing independence, overall internal control process, overall corporate governance, risk management process were positively correlated. This indicated that all variables that internal

auditor needed to perform in order to achieve organizational objective had a positive relationship.

4.4. Role of internal audit and factors affecting

Table 4.4 Role of internal auditing and factors affecting overall organizational performance

No	Description	Frequency	%
1	Audit independence has impact on the quality of audit reports and the achievement of organizational objectives		
	Strongly agree	50	71.43
	Agree	20	28.57
	Neutral	-	-
	Total	70	100
2	An auditing has the role in the overall internal control process of commercial bank of Ethiopia		
	Strongly agree	41	58.57
	Agree	25	35.71
	Neutral	4	5.71
	Total	70	100
3	An auditing has the role in the overall corporate governance of commercial bank of Ethiopia.		
	Strongly agree	45	64.28
	Agree	21	30
	Neutral	4	4
	Total	70	100

4	An auditing has the role for risk management process in commercial bank of Ethiopia.		
	Strongly agree	37	52.86
	Agree	29	41.43
	Neutral	4	5.71
	Total	70	100

Internal auditing are expected to find creative ways to cope with the dynamic environment that would add value to the organization. This is primarily achieved when there is Internal auditing independence, Overall internal control process, Overall corporate governance, and risk management process. 71.43% of internal auditing and managements strongly agreed that internal auditors should be independent for better achievement, while 28.57% agreed.

To to achieve organizational objective, it was beneficial for internal auditing to enhance the overall internal control process, with 58.57 % of internal auditing and managements strongly agreed, 35.71% agreed and 5.71 % remaining neutral for the role of internal auditing on internal control process to achieve organizational objective.

An internal auditing had a role in the overall corporate governance of commercial bank of Ethiopia, with 64.28% strongly agreeing, 30% agreeing and 5.71% remaining neutral in order to achieve organizational objective. According to respondents an internal auditing also played a role in the risk management process at the commercial bank of Ethiopia which counts 52.86% strongly agreeing, 41.43% agreeing and 5.71 % remaining neutral.

4.5. Discussion

The aim of this study was to examine the role of an auditing in the achievement of organizational objectives in the case of the Commercial Bank of Ethiopia. The research primerly emphaesized the role of the internal auditing with regard to internal auditing independence, the overall internal control process, overall corporate governance, the risk management process on achievement of organizational objective.

From the above table, the gender composition of the sampled respondents indicated that 88.57% were male and 11.43% were females. The results of the age distributions in Table 4.1

above showed that the greatest number of the respondents were in the 40-49 age group (47.14%), followed by respondents aged 30-39(35.72%). The third highest age groups included respondents above 50(17.14%) and while the lowest readings above 0 % represented the age group of 20-29. When examining the educational level of the respondents, it is clearly seen from the table that most were first degree holders (42 or 60%).This was followed by those who held master's degree (28 or 40%) , while diploma holders and others accounted for (0%).

Regarding Table 4.1, the majority of the respondents had worked in the organization above 21 years, which included of 37 (52.85%) respondents, followed by 29 (41.43%) respondents who had been with the organization for 11-20 years, and 4 (5.71%) respondents who had been there for 2-5 years. The marital status of the respondent's showed that most were married (66 or 94.29%) followed by singles (4 or 5.71%). Almost 92.9 % of the respondent's position held non managerial (auditor), while the rest 7.1% occupied audit management position.

As seen in Table 4.2, a better mean result was found for a single variable. Internal auditing independence had a mean value of ($M = 4.71$, Std. Dev = 0.455).This indicated that internal auditing independence was higher than that of all other variables, implying that employee's internal auditing independence had a greater value for the achievement of organizational objectives in the case of the Commercial Bank of Ethiopia. Audit independency helped to avoid misstatements, subjectivity in audit reports, bias, conflicts of interest, the concealment of important fact, and denial of information and records etc. The mean values of the variables expressing internal audit scattered around an average ranging from 4.47 to 4.71. This indicated that internal auditing strongly preferred independence, a better overall internal control process, overall corporate governance and a risk management process. The mean value of overall corporate governance was 4.58 and the mean value of the overall internal control process was 4.52. The mean value of risk management process was 4.47. This indicated that internal auditors helped to identify actual and potential risks, and contributed to the decision-making and policy development process, which assisted to achieve organizational objective. Respondents expressed their responses from neutral to strongly agreed regarding for the role of internal auditing when there was internal auditing independence, an overall internal control process, overall corporate governance and a risk management process. This implied that internal auditing had a significant role for achievement of organizational objective of commercial bank of Ethiopia when there was

internal auditing independence, an overall internal control process, overall corporate governance and a risk management process.

Based on Table 4.3, all independent variables such as internal auditing independence, overall internal control process, overall corporate governance, Risk management process were positively correlated. This indicated that all variables that internal auditing needed to perform in order to achieve organizational objective were positively related.

Internal auditing was expected to find creative ways to cope with the dynamic environment that would add value to the organization. This was primarily achieved when there was internal auditing independence, overall internal control process, overall corporate governance, and a risk management process. Internal Auditing needed to be independent for better achievement. From the result 71.43% of internal auditing and managements strongly agreeing and 28.57% agree about independency of internal auditing.

To achieve organizational objectives, it was beneficial for internal auditing to enhance the overall internal control process 58.57 % of internal auditors and managements strongly agreeing, 35.71% agreeing and 5.71 % remaining neutral regarding the role of internal auditing in the internal control process to achieve organizational objective.

An internal auditing played a role in the overall corporate governance of commercial bank of Ethiopia 64.28% strongly agreeing, 30% agreeing and 5.71% remaining neutral in order to achieve organizational objective. According to respondents an internal auditor also had a role in the risk management process in commercial bank of Ethiopia which counts 52.86% strongly agreeing, 41.43% agreeing and 5.71 % remaining neutral.

According to Puttikunsakon (2015) internal auditing provided value in risk reduction, operational excellence, and fraud detection effectiveness. The study also highlighted the positive influence of external environmental changes and the competency of the audit committee on best internal audit practices. Despite the existing literature on the role of internal auditors in achieving organizational objectives, there is a research gap concerning the specific context of the Commercial Bank of Ethiopia. The increasing complexity of transactions and technological advancements has expanded the role of internal auditing, making their contribution to organizational objectives crucial.

The globalization of the economy, technological advancement, complexity of business, and allegations of fraudulent financial reporting recently sharpened the ever-increasing attention

to internal auditing (Karagiorgos et al., 2009). The developing role of internal auditing was an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. Internal auditing helped an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes (Savcuk, 2007). Internal audit was an independent appraisal function established by the management of an organization for the review of the internal control system as a service to the organization. Internal audit activity might have led to the strengthening of internal control as a result of management responses. One of the objectives of internal auditing was to assist management in the pursuit of value for money. This was achieved through the economic, efficient, and effective use of resources. Internal audit was a management responsibility to maintain the internal control system and to ensure that the organization's resources were properly applied in the manner and on the activities intended.

It was the management's responsibility to determine what further actions to take. Independence; Independence was achieved through the organizational status of internal audit and the objectivity of internal auditors. The organizational status of internal audit enabled it to function effectively. Organizations demanded high levels of competency and professionalism from internal audits, and scarce resources had to be deployed more efficiently to minimize and manage risks. Technological advancement made it possible to track and analyze data with continually increasing speed thus making it essential for organizations to be well advised by their internal audit departments. Internal audit varied from one organization to another, and making changes to modern internal audits could be a substantial undertaking. In many banking institutions, staff was poorly paid and unmotivated, ethical standards were weak, and ineffective governance practices lead to asset mismanagement (Rammamoorti, 2003).

An effective internal audit function was a significant player in two basic governance activities; monitoring of risks and assuring controls. Furthermore, the internal audit function played a key role in compliance work and often spent considerable time on consulting or operational-oriented tasks, to enhance the organization's effectiveness and efficiency. All these elements mapped directly into organizational governance (Hermanson, 2003).

Internal auditing was an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. Internal auditing helped an organization

accomplish their objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control, and governance processes. It served as an important link in the business and financial reporting processes of corporations and played a key role in monitoring a company's risk profile and identifying areas for improving risk management (IPPFW, 2013)

The independent auditing addressed a special report to the company on significant or material deficiencies in internal control. They reported that deficiencies should be prepared even if the company's management had addressed the deficiency and implemented appropriate controls to improve the effectiveness of the organization's internal control. The report provided various levels of assurance about different types of assertions. When an auditor was not independent, any procedure performed would not have been in accordance with generally accepted auditing standards, and he or she was precluded from expressing an opinion on the financial statements of the company (Bahram Soltani, 2007). Corporate governance also becomes a subject of reflection for market regulatory agencies as well as for the accounting and auditing profession (Bahram Soltani, 2007). The fundamental aspects of corporate governance interrelate with the disciplines of accounting and auditing. On the one hand, corporate governance, in its attempt to assure the better functioning of a company and to protect and enhance the interests of shareholders, needed the efficient reporting, planning and control systems associated with the accounting and auditing disciplines. On the other hand, corporate governance involved areas such as financial and non-financial systems of measurement, financial reporting, and feedback systems, as well as the verification of corporate information, issues that were also directly related to accounting and auditing. (Bahram Soltani, 2007).

Organizations were established to achieve their organizational objective. The achievement of organizational objectives was not an easy task. It required the participation and cooperation of all individual workers, effective management, and control of assets to mitigate the risk of misuse, wastage, fraud, and theft, as well as timely and appropriate decision-making by top management. Technological advancement, complex transactions, and the high consequences of errors affected the auditing component of the profession, and its role expanded dramatically primarily because of the increased size and complexity of the company (Eldes, and et.al, 2010).

CHAPTER FIVE

MAJOR FINDING, CONCLUSION AND RECOMMENDATIONS

5.1. MAJOR FINDING

From the table above, the gender compositions of the sampled respondents indicated that 88.57% were male and 11.43% were female. The result of the age distribution in Table 4.1 showed that the largest group of respondents was in the 40-49 (47.14%) age range, followed by those aged 30-39 (35.72%). The third largest group consisted of respondents aged above 50 (17.14%), while the lowest percentage, above 0 %, represented the age group of 20-29. Regarding the educational level of the respondents, it was clearly seen from the table that most held first degree totaling 42 (60%). This was followed by those with master's degrees numbering 28 (40%), while there were no diploma holders and others.

In terms of tenure, as per Table 4.1, the majority of the respondents had worked in the organization for over 21 years, totaling 37 (52.85%), followed by 29 (41.43%) respondents who had been with the organization for the range of 11-20 years, and 4 (5.71%) respondents who had worked there for 2-5 years. The marital status of the respondent's showed that the majority were married totaling 66 (94.29%), followed by singles, which numbered 4 (5.71%). Almost 92.9 % of the respondent's position status held non-managerial (auditor) and the rest 7.1 % of the respondent is audit management position status.

Table 4.2 indicates that a better mean result was found for a single variable. Internal auditor independence had a mean value of (M= 4.71, Std.Dev=0.455). This shows that internal auditing independence ranked above all other variables, implying that employee's perceptions for internal auditing independence had a higher value for achieving organizational objectives at the Commercial Bank of Ethiopia. Audit independence helps to avoid misstatement, subjectivity in audit reports, bias, conflict of interest, concealment of important facts, denial of information and records etc. The mean value of the variable expressed internal audit ranged from an average 4.47 to 4.71. This indicated that internal auditing strongly preferred independence, better overall internal control process, overall corporate governance and a risk management process. The mean value for overall corporate governance was 4.58 and the mean value for overall internal control process was 4.52. The mean value for risk management process is 4.47. This findings show that internal auditors helped to identify the actual and potential risks, and contributed to decision making and policy development. Which in turn assisted in achieving organizational objectives.

Respondent express their response as ranging from neutral to strongly agreed regarding for the role of internal auditing, particularly in the presence of internal auditing independence, an overall internal control process, overall corporate governance and a risk management process. This implies that internal auditing played a significant role in achieving the organizational objectives of commercial bank of Ethiopia when this factors were present.

Based on Table 4.3, all independent variables such as internal auditing independence, overall internal control process, overall corporate governance, risk management process were positively correlated. This shows all variable that internal auditor must perform in order to achieve organizational objective were positively related.

Internal auditing were expected to find creative ways to cope with the dynamic environment that will add value to the organization. This was mainly achieved when there was internal auditing independence, overall internal control process, overall corporate governance, and Risk management process. Internal Auditing needed to be independent for better achievement 71.43% of internal auditing and managements strongly agreeing, 28.57% agreeing.

To achieve organizational objective, it is beneficial for internal auditing to enhance the overall internal control process,with 58.57 % of internal auditing and managements strongly agreeing, 35.71% agreeing and 5.71 % remaining neutral regarding the role of internal auditing in the internal control process.

An internal auditing played a role in the overall corporate governance of commercial bank of Ethiopia,with 64.28% strongly agreeing, 30% agreeing and 5.71% remaining neutral in order to achieve organizational objective. According to respondents an internal auditing also had the role in the risk management process at the commercial bank of Ethiopia, with 52.86% strongly agreeing, 41.43% agreeing and 5.71 % remaining neutral.

According to Puttikunsakon (2015) internal auditing provided valu to risk reduction, operational excellence, and fraud detection effectiveness. The study also highlighted the positive influence of external environmental changes and the competency of the audit committee on best internal audit practices. Despite the existing literature on the role of auditors in achieving organizational objectives, there was a research gap concerning the specific context of the Commercial Bank of Ethiopia. The increasing complexity of

transactions and technological advancements expanded the role of auditing, making their contribution to organizational objectives crucial.

5.2. Conclusion

Internal auditing is an independent, objective assurance and consulting activity planned to add value and improve an organization's operations. Internal auditing helped an organizations accomplish their objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control, and governance processes. It serves as an important link in the business and financial reporting processes of corporations and played a key role in monitoring a company's risk profile and identifying areas for improving risk management (IPPFW, 2013).

Independence was achieved through the organizational status of internal auditing and the objectivity of internal auditing. The organizational status of internal auditing enabled it to function effectively. Organizations now demand high levels of competency and professionalism from internal audits, and scarce resources had to be deployed more efficiently to minimize and manage risks. Technological advancement made it possible to track and analyze data with continually increasing speed, thus making it essential for organizations to be well advised by their internal audit departments. Internal audit varies from one organization to another, and implementing changes to modern internal audits could be a substantial undertaking. In many banking institutions, staffs were poorly paid and unmotivated, ethical standards were weak, and ineffective governance practices led to asset mismanagement (Rammamoorti, 2003).

The role of auditing in the achievement of organizational objectives has been a topic of interest for many researchers in the field of accounting and finance. With the increasing complexity of business operations and the growing demand for accountability and transparency, the role of auditors has become more critical than ever. Internal auditors evaluate the controls that help Organizations manage risks to ensure that this controls are in place, functioning effectively, and cost-effective. A well-performing internal audit function is one of the strongest means to monitor and promote a robust governance system within an organization. Internal auditing is an integral part of the corporate governance framework in both the public and private sectors. Internal audit function helps prevent negative occurrences, ensures that positive outcomes are achievable, and assists management in

understanding their risk landscape, whether those risks are under control, and whether they are worth taking (Cohen et al., 2002).

The study contains both the descriptive and correlation analysis. Under the descriptive statistics the demographic information of respondent and mean values of the variables were presented. The statistical tools such as percentage, mean and frequency were used to describe the demographic information of respondent and the variables utilized in the study. All independent variables such as internal auditor independence, overall internal control process, overall corporate governance, Risk management process are positively correlated. This indicated that all variables that internal auditing must address in order to achieve organizational objective were positively related.

Internal auditing independence had a mean value of (M= 4.71, Std.Dev=0.455). This indicated that internal auditing independence was rated higher than all other variable, implying that the independence of internal auditing was higher value for achieving organizational objectives at the Commercial Bank of Ethiopia. Audit independency helps to avoid misstatement, reduce subjectivity in audit reports, eliminate bias, prevent conflicts of interest, ensure that important facts, records and information's are not concealed and deny. The mean value of the variable related to internal auditing ranged from 4.47 to 4.71. This demonstrated that internal auditing strongly preferred independence, a better overall internal control process, effective overall corporate governance and a robust risk management process. The mean values of overall corporate governance were 4.58, while the mean value of overall internal control process was 4.52. The mean value of risk management process was 4.47. These findings show that internal auditing plays a significant role in identifying actual and potential risk, facilitating the process of decision making and supporting policy development ultimately contributing to the achievement of organizational objectives. Respondent express their response from neutral to strongly agreed regarding role of internal auditor emphasizing the importance of internal auditing independence, an effective internal control process, strong corporate governance and a comprehensive risk management process. This implies that internal auditing have vital role for achieving the organizational objectives of the commercial bank of Ethiopia when internal auditing independence, overall internal control process, overall corporate governance and risk management process are met.

Internal auditing is expected to find creative ways to cope up with dynamic environment that will add value to the organization. This is achieved mainly when there is internal auditing

independence, overall internal control process, overall corporate governance, and Risk management process. Internal Auditing shall be independence for better achievement 71.43% of internal auditors and managements strongly agree, 28.57% agree. To achieve organizational objective, it is good for internal auditor to the overall internal control process 58.57 % of internal auditors and managements strongly agree, 35.71% agree and 5.71 % neutral for the role of internal auditing on internal control process to achieve organizational objective. An internal auditing has the role in the overall corporate governance of commercial bank of Ethiopia 64.28% strongly agree, 30% agree and 5.71% neutral in order to achieve organizational objective. According to respondents an internal auditing also has the role for risk management process in commercial bank of Ethiopia which counts 52.86% strongly agree, 41.43% agree and 5.71 % neutral. Internal auditing have better role for achievement of organizational objective if there is internal auditing independence, overall internal control process, overall corporate governance and risk management process.

The study found that internal auditing plays a vital role in achieving organizational objectives at the Commercial Bank of Ethiopia through the following key contributions:

1. Audit Independence enhances objectivity, reduces bias, and increases credibility of audit outcomes.
2. Internal Control Processes benefit from internal auditing by identifying inefficiencies and enforcing safeguards.
3. Corporate Governance is strengthened through internal auditing by promoting accountability and transparency.
4. Risk Management is supported through timely identification and assessment of potential operational risks.

5.3 Recommendations

Based on the findings and conclusion of the study the following recommendations were drawn.

- Internal auditing independence has better value for achievement of organizational objectives in the case of the Commercial Bank of Ethiopia. Audit independency helps to avoid misstatement, subjectivity of audit report, biasedness, conflict of interest, hide of important fact, deny of information and records etc. so commercial bank of Ethiopia should protect the independency of auditing to achieve organizational objective and improve their role.
- Commercial bank of Ethiopia should improve internal control process of internal auditing to achieve organizational objective.

- Overall corporate governance and risk management process of internal auditing is important for achievement of organizational objective. So, commercial bank of Ethiopia should improve this.

1. Safeguard Audit Independence:

The Commercial Bank of Ethiopia should uphold and protect internal auditing independence to ensure unbiased reporting and strengthen stakeholder confidence.

2. Enhance Internal Control Systems:

Continuous improvement of internal control mechanisms will help prevent asset misappropriation and support effective decision-making.

3. Strengthen Corporate Governance Practices:

Internal auditing should be further integrated into governance processes to improve transparency and ethical leadership.

Cause: Strong governance aligns management actions with organizational goals and reduces oversight gaps.

4. Improve Risk Management Frameworks:

The bank should adopt proactive auditing practices that identify emerging risks and support strategic planning.

Cause: Anticipating and mitigating risks early minimizes financial losses and operational disruptions.

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APPENDIX
ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF ACCOUNTING AND FINANCE
SURVEY QUESTIONNAIRE

Dear Respondents:-

I am a graduate student in the college of business and economics, Addis Ababa university. Currently, I am undertaking a research entitled “ the role of an auditing in achievement of organizational objective in the case of commercial bank of Ethiopia”. You are one of the respondents selected to participate on this study. Therefore I kindly request you to fill this questionnaire genuinely assuring that the data will be used solely for the intended professional purpose and is subject to ethical rules of research at Addis Ababa university. Please follow the instructions and answer all questions. Your answers will be treated strictly confidential.

Part One: - Demographic and other information

Please put tick mark (✓) in the circle with most closely represents your personal situation.

1. Gender Male [] Female []

2. Age 20-29 [] 30-39 [] 40-49 [] Above 50 []

3. Educational qualification

Diploma [] First Degree [] Master’s Degree []

Other, please specify, _____

4. Work experience in commercial bank of Ethiopia in years

0-1[] 2-5 [] 6-10 [] 11-20 [] Above 21[]

5. Marital status

Single [] Married [] Separated [] Widowed []

Divorced []

6. Your job grade and occupation in commercial bank of Ethiopia _____

7. Position status auditor [] Management []

Part II: role of an auditing and achievement of organizational objective

After you read each of the factors, evaluate them in relation to your organization and then put a tick mark (√) under the choices below. Where, 5 = strongly agree, 4 = agree, 3 = neutral, 2 = disagree and 1= strongly disagree. Please indicate the degree to which you agree.

No.	Questions/descriptions	strongly agree	agree	neutral	Disagree	strongly disagree
	Auditing and achievement of organizational objective					
1	Internal auditing have role for achievement of organizational objective?					
2	Audit independence has impact on the quality of audit reports and the achievement of organizational objectives					
3	An auditing has the role in the overall internal control process of commercial bank of Ethiopia					
4	An auditing has the role in the overall corporate governance of commercial bank of Ethiopia.					
5	An auditing has the role for risk management process in commercial bank of Ethiopia.					

Part III

1. What are the roles of internal auditing for achievement of organizational objective?_____

_____.

2. What are role of auditing in the risk management process in the case of commercial bank of Ethiopia?_____

_____.

3. What are role of auditing in the overall corporate governance in the case of commercial bank of Ethiopia?

_____.

4. What are role of auditing in the overall internal control process in the case of commercial bank of Ethiopia?

_____.

5. What are the impact of auditing independence on the quality of audit reports and the achievement of organizational objectives?

_____.

6. What are the challenges faced by auditing in the discharge of their duties?

_____.

THANKYOU!!

ANNEX 2

```
. summarize intrnalauditindependence internalcontrolprocess overallcorporategovernance riskmanagementprocess
```

Variable	Obs	Mean	Std. Dev.	Min	Max
intrnalaud~e	70	4.714286	.4550158	4	5
internalco~s	70	4.528571	.6072372	3	5
overallcor~e	70	4.585714	.6017573	3	5
riskmanage~s	70	4.471429	.6072372	3	5

```
. correlate intrnalauditindependence internalcontrolprocess overallcorporategovernance riskmanagementprocess
(obs=70)
```

	intrna~e	intern~s	overal~e	riskma~s
intrnalaud~e	1.0000			
internalco~s	0.3447	1.0000		
overallcor~e	0.1966	0.4493	1.0000	
riskmanage~s	0.2847	0.4542	0.5422	1.0000

```
summarize intrnalauditindependence internalcontrolprocess overallcorporategovernance
riskmanagementprocess
```

Variable	Obs	Mean	Std. Dev.	Min	Max
intrnalaud~e	70	4.714286	.4550158	4	5
internalco~s	70	4.528571	.6072372	3	5
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riskmanage~s	70	4.471429	.6072372	3	5

```
correlate intrnalauditindependence internalcontrolprocess overallcorporategovernance
riskmanagementprocess
```

```
(obs=70)
```

```
intrna~e intern~s overal~e riskma~s
```

```
intrnalaud~e 1.0000
```

```
internalco~s 0.3447 1.0000
```

```
overallcor~e 0.1966 0.4493 1.0000
```

```
riskmanage~s 0.2847 0.4542 0.5422 1.0000
```