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Addis Ababa University



**College of Business and Economics**  
**Department of Accounting and Finance**  
**Research paper**

**Factors affecting internal audit Effectiveness. The case  
of Administrative and General Service Sectors  
of The Federal Government.**

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**June, 2019**

**ADDIS ABABA, ETHIOPIA**

## DECLARATION

I hereby declare that this work entitled “Factors influencing effectiveness of internal audit in public sectors of the case of Administrative and General Service Sectors of the Federal Government., Ethiopia.” is my own work and that, to the best of my knowledge and belief, it contains no material previously published or written by another person nor material which has been accepted for the award of any other degree or diploma of the university or other institute of higher learning, except where due acknowledgment has been made in the text.

By Abaynesh Teshome

Signature \_\_\_\_\_

Date \_\_\_\_\_

Advisor’s Approval

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

Advisor: Degefa Duressa Ph.D)

Signature \_\_\_\_\_

Date \_\_\_\_\_

## **Certification**

**This is** to certify that the Research Project Paper prepared By Abaynesh Teshome ,entitled factors influencing effectiveness of the internal audit in admin and general service federal public sector offices, Ethiopia is submitted in partial fulfillment of the requirements for the degree of Masters of Science in Accounting and Auditing complies with the regulations of the University and meets the accepted standards with respect to originality and quality.

Approval of Board of Examiners

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Internal Examiner Signature & Date

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External Examiner Signature & Date

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Chair of Department or Graduate Program Coordinator

## ACKNOWLEDGEMENTS

First of all, I would like to thank my almighty God for his great support to accomplish this research work and for his infinite support in my entire life success. Secondly, I would like to express my Advisor Dr. **Degefa Duressa** for their continuous comment and supports to make this research paper and for the information given that is very valuable for my study.

I really thank my dear colleagues Fikadu Agonafir, and Sintayehu Kagenew for giving unre-served support and effort helping me any aspect complete this study.

Secondly I would like to thank give me this sponsorship our organization Ministry of finance and also thanks all respondent.

Finally I would like to thank all the people who support me by giving for their idea sharing to complete this study, particularly my husband Mesfin Yeshigeta and Ferede Nigusess, Mastwal Teshome, ,Embet Wase my pretty kids and IT support Elfinesh Zerihun which I did not mentioned their name, by providing all the necessary support in my attempt.

## **List of acronyms and abbreviation:**

IA:	Internal Auditors
IIA:	Institute of internal auditors
MOFEC:	Ministry of finance and Economic cooperation
OFAG:	Office of the Audit General
IPPF:	International Professional Practices Framework
EPAAA	Ethiopia professional association accounting and audit
ISA	International standard on Auditing
CIPFA	Chartered institute of public finance and accountancy
CIA	Certified internal auditor
CPA	Certified Public Accountant
ASE	Auditing society in Ethiopia
EAFA	Ethiopian Accounting Finance Association
FDRE	Federal Democratic Republic Ethiopia
IPPFW	International Professional Practices Framework
<b>INTOSAI</b>	<b>International Organization of Supreme Audit Institutions</b>

## **I. Abstract**

*The purpose of this study of factors affecting the internal audit effectiveness they face in their execution of duties in federal public bodies in Ethiopia particularly admin and general service sector. In line with this, the main purpose of the paper is evaluation of effectiveness of internal auditing system in government organizations in Ethiopia, especially in 10 sample federal public bodies. For achieving this objective, both primary and secondary data were drawn using questionnaires and interview and analyzed in the most appropriate techniques such as; frequency tables and percentages. The study revealed that there was problem of independency there was inadequate technical staff proficiency and absence of continuous professional training development programs for internal auditors and lack of sufficient number staff. Furthermore, auditee departments and the managements did not attention that the audit service can add value to their activity and to the organization and they have not adequately supported the department. It was also evaluated that the scope of internal audit services is limited only to financial statement audit and performance audit is overlooked. Therefore, there should be extending the scope of internal audit services by including performance audit with appropriate increase technical proficiency of the internal audit staff; adequate independence to internal auditors; put into practice internal and external audit quality assurance and improvement programs, and alleviating other impeding factors related to audit execution in the organizations under study.*

*Key words: Internal Audit; Ethiopian Public sector admin &General service offices; internal audit effectiveness; factors affecting t of internal audit effectiveness,*

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## CHAPTER ONE

The current major factors faced by internal auditors in performing their audit function in each audit process are the central concern of this project study. This chapter introduces background of the study; statement of the problems; and discusses on objectives, significances, scope and limitation of the study.

### 1.1 Background of the Study

Institute of Internal Audit (IIA, 2001), defined internal audit as an independent function; objective assurance and consulting activity designed to add value and improve an Organization's operations. It helps an organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance process (INTOSAI-GOV-9140).

The modern internal auditing as a separately identified function and as profession has been developed in New York in 1941. It became management oriented profession and established itself as a distinctive discipline with a far broader focuses rather than mainly focusing on the attesting of the occurrence of financial matters (Sawyer, 2003). IA used action and procedures for protecting government assets embodied in public money. This protection includes the protection from theft and loss, intentional and unintentional use of money, and in ensuring financial data accuracy due to financial and administrative decision making Supreme Accounting and Financial Control (SAFC, 2010). In addition, internal audit function helps government organization to ensure accountability and integrity, improves the execution of government programs and develops a sense of trust and confidence among citizens and the various stakeholders in the public interest. Factors influencing effectiveness of internal audit in public sectors Sisay (2018)

History of the development of internal auditing in Ethiopia dates back to about the middle of the 1940s just about the time when internal audit was evolving as an organized profession in the United States; Internal audit in Ethiopia, had its early legislative root in the Constitution of 1923 E.C. which authorized the establishment of an "Audit Commission" (Articles 34); and the Audit

Commission itself was established much later by Proclamation 69/1944 to audit the accounts of the Ministry of Finance. The same Proclamation mandated the Ministry of Finance to audit other budgetary institutions as a measure of internal control over the financial operations of the budgetary institutions. It appears that this early practice of internal auditing as per

Proclamation 69/1944 was, in fact, to be the root of what the Inspection Department of the Ministry of Finance and Economic Development (MoFED) continued to perform to this day, until the recent reorganization, Internal Audit Training Module by (MoFED 2005).

According to Amina(2016) the role of internal auditors in privet and public organization “In 1994 the Prime Minister set up a task force that forwarded recommendations to improve internal audit in government offices. Consequently, the Ministry of Finance (MoF) has been mandated to develop a manual for internal audit in government organizations. During this period, FGE1996, the EPAAA has been re-activated and three other professional associations were establish in this time. These are Ethiopian Accounting Finance Association (EAFA), the Ethiopian chapter of the Institute of Internal Auditors (IIA), and The Accounting Society in Ethiopia (ASE) have been established” On July 1, 1997 the Financial Administration Regulations No. 17/1997 was issued in which the responsibility of internal audit function was transferred from the Office of the Auditor General to the Ministry of Finance to develop and maintain appropriate standards of work and conduct for application throughout all the public bodies internal audit function, after this financial regulation all public bodies established Internal Audit Services; most of the public bodies discontinued pre-audit.

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

In practicing the internal auditing in Ethiopia, its importance was recognized in early 1930s and different proclamations were issued for its implementation at several periods. Although such proclamations exist, internal audit has many critical problems such as the trained and skilled manpower, inadequate organizational status and lack of professional independence. These were the reason for the establishment of the Institute of the Internal Auditors to give the comprehensive training program and development and coordination in the country, the

efficiency and effectiveness of the management operations in public sector are ensured by the effectiveness of its employees. Competency affects the ability of the auditors to perform the systematic and discipline auditing, which plays key role in improving IA effectiveness. An effective government audit activity needs organizational independence and objectivity. The management support with resources and commitment to implement the internal audit essential in attaining audit effectiveness (*Mihret & Yismaw, 2007*) and after a reasonable period of time, the audit staff was conduct a follow up review of areas previously audited, to determine if corrective action has been effectively implemented as previously agreed IASOPM (2013). Based on the above mentioned problems, this research tries to assess the factors that could affect the roles of internal audit effectiveness; the governance control and risk management process in the case of admin and general service sector.

## **1.2 Statement of the problem**

According to Ayitenew and Lakech (2018) the objective of auditing is to review and evaluate the activities of the organization with a view to express an opinion on the efficiency and effectiveness of management, as well as the adequacy of internal control within an organization. Therefore, internal auditor is charged with the responsibility of safeguarding the assets and liabilities of an organization and provide other constructive services that will enhance the efficiency and effectiveness of the operations of the organization, through the review of accounting systems, internal control systems, implementation of the corporate policies, and carrying out special investigations assigned by the management (Modibbo, 2015). However, due to different factors, IA become ineffective in conducting an audit function. Thus, this ineffectiveness leads them not to prevent and detect frauds in turn this fraud negatively affects an economy as a whole, because it causes huge financial losses, weakening social stability, leading to a loss of trust in the economic system, or corrupting and compromising economic and social institutions (Nicolescu, 2007).

Auditing as a profession needs auditors to be competent enough in skill and experience, be independent from any conflict of interest, is careful in conducting their work and so on. Internal audit effectiveness is arguably a result of the interplay among different factors: internal audit quality, management support, organizational setting, attributes of the auditee, and the competence of the audit team and the independence of internal audit (*Mihret & Yismaw, (2007); and George, Theophanous & Konstantin's, 2015*). An internal audit function's capa-

bility to provide useful audit findings and recommendations would help raise management's interest in its recommendations.

The ministry of finance amended the financial administration proclamation No 648/2009 by 970/2016 which made the head and professional staffs of internal audit of public bodies shall be accountable to the minister of finance to ensure independence of internal audit in performing their duties and responsibilities. Therefore, the amendment from 2016 the studies mainly emphasized on assessing the determinant factors for the Effectiveness of internal audit. The researcher is attempted to identify the factors influencing internal auditor's effectiveness in selected Administrative and general service sector of federal public bodies under consideration specifically, how, organizational independence, adequate competent, management support and follow- up of audit finding influence the effectiveness of internal audit. Many reviews have been implied that, there is lack of direct internal audit research in the areas of factors affecting with respect to independence, competencies, and management support and not taken corrective action on the finding after the implementation of the new amendments of financial administration proclamation 970/2016 which made the head and professional staff of internal audit of public bodies accountable to the ministry of finance. Ethiopian studies are factors influencing internal auditor's effectiveness in general service and administration sector public body as it is not comprehensively addressed by other studies after the legal amendments, for example, Mihret and Yismaw (2007) study is about public sectors particularly higher educational institutions, and Belay (2007) study is about effective implementation of internal audit function to promote good governance in the public sector, Mihret (2010) studied the factors associated with attributes of internal audit departments that's why the researcher need?

### **1.3. Research Questions**

This study is to investigate the factors influencing internal audit effectiveness in admin and general service sector of Federal public bodies in Ethiopia. More specifically, this study aims to address the following research questions which will be to answer the research objectives:

- I. How to independence affect the internal audit function on effectiveness?
- II. What is the effect of internal audit staff competence and number on effectiveness of the function?
- III. To evaluate adequacy of resources allocated to the IA their effectiveness?

- IV. How far management support and cooperation affect IA effectiveness?
- V. What is the effect of follow up and improvement actions on the IA effectiveness?

#### **1.4. Objective of the study**

This study consists of general and specific objectives.

##### **1.4.1. General Objective**

The primary objectives of this study to identify the factors affecting the internal audit effectiveness in the case from the sample selected admin and general services organization and recommend solutions.

##### **1.4.2. Specific Objectives**

Particularly, the study, addressing the following specific objectives:

- To evaluate the effect of independence of internal audit on its effective
- Examine the effect internal auditors staff Competence and number affect their effectiveness
- To analyze the effect of top management support on effective to the role of IA
- To assess the impact of follow up and improvement actions on the IA effectiveness

#### **1.5 Significance of the Study**

The output of the study to provide valuable information to the public bodies about the extent identified factors which highly influence the effectiveness of internal audit in the study areas; i.e., It is expected to identify the major factors that affect the effectiveness of internal audit and sustainable transparency and accountability by giving reasonable assurance that public money has been spent in an efficient and effective manner.

It was to find out the integration of success factors for the effectiveness of internal audit. And also Further, this study was initiated to generate and add some information to the existing knowledge of the relevance of internal audit that have contributions for clear understanding of the effect of effective internal audit. The findings of this research was provide to multi-purpose information to different users, including public sectors of government and it used to top management and development policy makers of Ministry of finance.

## **1.6 Scope and Limitation of the Study**

The study was mainly focus on factors influence internal audit effectiveness in the administrative and general service sector public bodies on the sample. And also Inspection Directorate of Ministry of finance include in the study as one institution because of it has evaluator in the internal audit report of the country. However, due to various reasons, including, time, financial constraints, In spite of the our efforts to gather the necessary information as objective as possible, the analysis of this study was based on the high score opinion of respondents, so the respondent should be cooperate well to fill and gave all the necessary data, it is out of the reach of the researcher to incorporate all in this study.

## **1.7 Organization of the Study**

The study determinations include five chapters. The first chapter deal with introduction (i.e. background of the study, statement of the problem with research questions, objective of the study, significance of the study, scope of the study, limitation of the study and organization of the study). The second chapter, deal with related literature. The third chapter shows research design and methodology. The fourth chapter was data analysis and interpretation and the last chapter contain summary, conclusion and recommendation.

## **CHAPTER TWO**

### **2. LITERATURE REVIEW**

#### **2.1 Introduction**

In this chapter reviews of different literatures related to internal audit effectiveness faced by auditors were made. The sources of the literatures were different books, journals, articles, research papers etc. from within the country and abroad. Both theoretical as well as empirical reviews are covered in this chapter

#### **2.2 Theoretical and Conceptual Review**

##### **2.2.1 Internal Audit and Literature Review**

The new IIA definition has brought changes in the scope and role of internal audit activities in both private and public sectors. The concept of activity (i.e. assurance and consulting) that has been included in the definition, would allowed the individual auditor who may be outside the organization contracted by the organization to provide an internal audit service.

Internal control is providing a foundation for accountability in government responsibility for providing an adequate and effective internal control structure rests with an organization's management. The head of each governmental organization must ensure that a proper internal control structure is instituted, reviewed, and updated to keep it effective. Management often establishes an audit unit as part of its internal control and self-assessment framework. Although the auditors' role is to audit an organization's internal control policies, practices, and procedures to assure that controls are adequate to achieve the organization's mission based on internal control framework.

INTOSAI 9120, (2010) although auditors may be part of the organization they audit, it is important and necessary that the auditors' independence be maintained. And according to Hiwot (2017) audit defines as an important examination of an expression of opinion on the financial statement of an enterprise by duly appointed auditors in purchasing of relevant professional obligation. A systematic process of objectively obtaining and evaluating evidence regarding assertions about economic actions and events to ascertain the degree of corre-

spondence between those assertions and established criteria and communicating the results to interested.

According to Hawa (2016) auditing is originally a financial management concerned with assessing practice for the internal financial status of the organization and the evaluations of the financial performance of the organization. After the revolution and beginning the 20th century the reporting practice of auditors, which involved submitting reports of their duties and findings, was standardized as the Independent Auditor's Report (Manal, 1999). Since then, the auditing practices have evolved over the years and develop into the broader aspects. It also provides feedback on organization financial information and reporting. It also becomes a tool for an analysis of any fraudulent activity, potential and actual within the organization. In a generic sense auditing involves a critical examination and verification of accounts and other performance processes for the purpose of ascertaining the true and correct positions and results of operations of organizations private or public.

### **2.2.2 Definition of Internal Audit**

The Chartered Institute of Public Finance and Accountancy (CIPFA) defined internal audit an assurance function that provides an independent and objective opinion to the organization on the control environment, by evaluating its effectiveness in achieving the organization objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources. The new IIA definition has brought changes in the scope and role of internal audit activities in both private and public sectors. The concept of activity (i.e. assurance and consulting) that has been included in the definition, would allowed the individual auditor who may be outside the organization contracted by the organization to provide an internal audit service.

### **2.2.3 Classification of Internal Auditing**

Is just as important as independent auditing, yet it is different in many significant respects, the major difference between internal auditing and independent auditing is the internal auditing serves management, while independent auditing serves third party financial Statement users. They are similar in that both involve collecting and evaluating evidence relating to assertions. The institute of internal auditors does not define internal auditing but rather identifies three distinct types of internal auditing, each possessing unique characteristics and there-

fore requiring its own definition. These three types of internal auditing and their definitions are as follows: (Sabari, 2003, Dandago, 2002 & Aren, 1999).

### 1) **Operational Auditing**

An operational audit is further oriented independent and systematic evaluation performed by the internal auditor for management of the operational activities controlled by top, middle and lower level management for the purposes of improving organizational Profitability increasing, the attainment of the other organizational objectives (INTOSAI GOV9120(2010)

According (Moeller et al, 1999) operational audit involves a systematic review of a department`s operating procedures and internal controls. They deal with broad performance issues, focusing on whether funds and resources have been economically, efficiently and effectively managed to fulfill the mission and objectives. An operational audit includes elements of a compliance audit, financial audit and an information system audit. In particular, management audit examine and report on matters related to any or all of the following:

- ❖ The adequacy of management systems, controls and practices, including those intended to control and safeguard assets, to ensure due regard to economy, efficiency and effectiveness;
- ❖ The extent to which resources have been managed with due regard to economy and efficiency; and,
- ❖ The extent to which programs, operations or activities of an entity have been effective (Moeller et al, 1999)

The over-all objectives of operational auditing is to examine the use of resources to determine if resources are being used in the most effective and efficient manner to fulfill the organizations mission and objectives and assist all level of management in effective discharge of their responsibility by providing with objective analysis appraisals, recommendation and pertinent comments concerning the activities reviewed (John A Edds, 1994)

## **2) Management Auditing**

A management audit is a further oriented independent and systematic evaluation of the activities of all level of management performed by the internal auditor for the purposes of improving of organizational profitability and increasing the attainment of other organizational objectives CIMA official terminology (2008).

## **3) Financial Auditing**

A financial audit is a historically oriented, independent evaluation performed by the internal auditors or the external auditor for the purpose of at testing to the fairness, accuracy and reliability of the financial data (Larry, 1989). And this type of audit involves a thorough review of a department's record and reports, in order to check that assets and liabilities are properly recorded on the balance sheet, and all profits and losses are properly assessed. In other word audit reviews accounting and financial transactions to determine if commitments, authorizations, and receipt & disbursement of funds are properly & accurately recorded and reported. This type of audit also determines if there are sufficient controls over cash and other assets that adequate process controls exist over the acquisition and use of resources of the company or an entity (ACCA, 2007).

### **2.2.4 Development of Internal Audit in Ethiopia**

According to MOFED IA training manual (2005) the history of the development of internal auditing in Ethiopia dates back to about the middle of the 1940s just about the time when internal audit was evolving as an organized profession in the United States. Internal audit in Ethiopia, had its early legislative root in the Constitution of 1923 E.C which authorized the establishment of an "Audit Commission" (Articles 34); and the Audit Commission itself was established much later by Proclamation 69/1944 to audit the accounts of the Ministry of Finance. The same Proclamation mandated the then Ministry of Finance to audit other budgetary institutions as a measure of internal control over the financial operations of the budgetary institutions. It appears that this early practice of internal auditing as per Proclamation 69/1944 was, in fact, to be the root of what the Inspection Department of the Ministry of Finance and Economic Development continued to perform to this day, until the recent reorganization.

The latter part of the 1940s witnessed the establishment of internal audit functions in key public sector institutions such as the national defense, education, road construction, and other non- budgetary public sectors, which included the Ethiopian Airlines, Telecommunication and the financial sector consisting of the modern layer of the Ethiopian economy. These institutions in one way or the other had external links or financing operations, which created awareness of the need for internal controls to sectarian appropriate financial management and to safeguard organizational assets. Moreover, Proclamation No. 68/1997 requires that, the Federal Democratic Republic of Ethiopia's (FDRE) new economic policy be supported by a modern and reliable audit system in order to ascertain proper implementation through effective monitoring of administrative, developmental and service rendering institutions in the Federal Public Sector (Zelege,B).

In addition The Financial Administration Proclamation No 648/2009 article 7(2) state that "The government shall award heads and staff of internal audit with legal protection against any persecution because of performance of their duties." Based on this article the government has issued Federal Government Internal Audit Directive to give protection for the head of internal audit and auditors.

The directive states about threats in detail that may imposed by the top management of public institution on the head of internal audit and auditors during their audit activity and as the result of audit finding they report on it. Both the proclamation and the directive are lacking to explain the type of accountability and measures that will be taken by the government on those government officials who do not comply with the specified articles in both proclamation and directive.

### **2.2.5 Difference between Internal and External Audit**

It is important to understand and recognize the difference and commonalties between internal and external audit. The internal and external auditor should work closely together, in particular to coordinate activity and maximizes effectiveness however; there are a number of fundamental differences in their objective, scope and responsibility. Objective To advise management on whether the organization has sound system to internal Control to protect the organizational against loss. To provide an opinion on whether, the financial statement provides a true and faire view. Legal normally not a legal requirement however, the latest corporate

government advice recommends that is a listed company does not have and internal audit department; it should regularly assess the need for one. Legal requirement limited companies' most public bodies. Scope all areas of the organization, operational as well as Financial focuses Approach Increasingly risk based, Assess risk, Evaluate system of control, Test operation of system, Make recommendation for improvement, Increasingly risk based test underlying transaction that form the basis of the financial statement, Responsibility to advise, make recommendation on internal and corporate governance and to form an opinion on whether the financial statement provide a true and faire (Lynch, 20)

### **2.2.6 Functional role of Internal Audit**

The internal audit activities, which are applied by the internal audit staff to achieve the organization ultimate goal and to prevent regulations of the government's resource prevention as well as controls and also The primary role of internal audit is to provide assurance about financial and non-financial information and mechanism for control, It also review and appraises the soundness, adequacy and application of accounting, financial and other operating activities and recommending effective control and ascertaining the extent of compliance with established policies, law and procedures. In order to does it in a professional and independent fashion, internal audit unit should be kept distinct from other? Functional engaged in analyzing and reporting performance. The other functional group is primarily concerned with day to day maintenance of the internal control for data processing whereas the internal auditors are interests in evaluating the overall efficient of data processing operation and the effectiveness of internal control (Stewart & Subramaniam 2010).

### **2.2.7. Scope and Limitation of Internal Audit Work**

The audit function is responsible for evaluates and comments on the effectiveness of risk management control and corporate governance process, however, management remains responsible, for identifies and managers risk, reporting on risk and ensures that the rights policies and practices are in place. Internal audit should provide an independent and objective function, but there are increase pressures to add value within the organization and for this reasons the function cannot be truly independent of the organization in which it operates internal audit is part of the

Overall controls framework of the organization. Internal audit should be an independent and objective function. However, this independence can be compromised, particularly where reporting lines are through to operational areas which they are required to review and report

on. Where internal auditors have moves to the internal audit department from an operational area. They should not be involved in audits of that department for a minimum of a year, whilst they might be seen to have excellent knowledge of the area. Their independence could be compromised ministry of finance (2004) internal audit module.

### **2.2.8. Relation between internal and external audit**

Internal and external audit should work closely together, with the reliance by external audit on the work of internal audit. This dependent on the two functions having a common understanding of the organizations needs and is not always effective.

#### **Variation of standards**

Approaches to internal audit vary significantly across the industry whilst some are moving to a more consultancy type approach; others continue to perform “tick and check” approach.

#### **Reliability new profession**

Internal audit is still a relatively new profession, which has been changing significantly over the years.

#### **Expectation gap**

There is a balance to be achieved between added value work and “checking more” and a potential skills and expectation gap between consultancy and compliance.

#### **Understanding of the internal audit**

There is generally poor understanding of the function of internal audit. It is still seen as a negative policies activity checking for compliance. There is therefore, a significant education exercise for internal auditors within an organization to aid understanding of risks, controls and internal audits (Lynch, 2005).

### **2.2.9 Factors that Influence Internal Auditors Integrity And Independence**

Independence itself has become a debating point of internal auditors this arises from changing nature of internal audit and in particular, the move to move consulting style and involvement in activities that could be said to compromise independence. It is achieved through two key factors.

- 1) The organization status of internal audit to ensure that they do not have their independence compromise by reports to an area that they will provide audit reports on.
- 2) The objectivity and professionalism of the internal auditor to ensure that the appropriate independence of mind is maintained. The internal audit department would usually have

guide lines/rules/ in place to ensure that conflicts of interest within the organization are prevented. To meet the requirements of honesty and integrity, internal auditors must comply with other areas of the code. For example avoid conflicts of interest and not accepting anything that may impair professional judgment (Wines, 2012).

### **2.2. 10 Auditors competency**

According to IIA (2013) a competency is the ability of an individual to perform a job or task properly, being a set of defined knowledge, skills and behavior. The Framework provides a structured guide, enabling the identification, evaluation and development of those competencies in individual internal auditors. The Framework outlines the ten core competencies recommended for each broad job level, namely internal audit staff, internal audit management and the chief audit executive. Each core competency is supported by a list of more detailed competencies that further define the core competency statement. While the core competencies have been defined individually it should be understood that there are connections and interdependencies between all of the competencies.

The Framework is designed to be used by: Internal auditors to develop competencies that will help them meet their individual career objectives; Course developers and certification groups within the profession to ensure courses and certifications develop and adequately assess the required competencies; Employers, other professions and the public to use as a point of reference for the purpose of comparison or benchmarking with their own competency frameworks or to gain a clear and detailed view of the levels of expertise required by internal auditors;

The IIA and its associated Institutes to develop strategies to support their position in the international community with respect to standard setting; Students to understand the competencies they would need to demonstrate to be successful internal auditors and to assist them in assessing their career development plans; The academic community to provide a listing of critical professional competencies to consider in course development to prepare students for entry into the profession;

Recruiters and HR professionals to develop appropriate job descriptions and recruit suitably qualified staff

### **2.2.11 Drawback of Successful Audit Results**

Some constraints do not achieve successful audit results. The following are barriers of audit:- results: the ensuring that arise one of the most barriers to successful audit result

#### **1. Conflict goals between management and auditor**

The internal auditor lack of understanding of management goals and produce one side negative statement in the form of observations distorting any possible trust and understanding between them.

#### **2. Neglect to the most important phase of the audit**

The neglect had been direct cause for audit filer. Where analysis is missing it is difficult to see the inter relationship among observation and impact that all observation have on the corporate entity.

#### **3. Lack of creditability**

If the managers perceive the internal auditors as lacking creditability then the reliance on the work performed by the internal auditors will be reduced dramatically. When internal auditors can provide the necessary evidential illustrating an understanding and application of the proper audit procedures through appropriate training and prior work performance, managers can begin to accept the work as reliable and improve the relationship.

#### **4. Tendency not too listens**

Probably one of the most common communication barriers that can arise in thus relationship is through ineffective listening, poor communication of audit results has caused the down fall of some audit and led to negative misconception about auditors. So, the auditors realize that they can benefit from each other and stop from developing a negative attribute to achieve this goal through effective listening (Seol, Sarkis & Lefley2011).

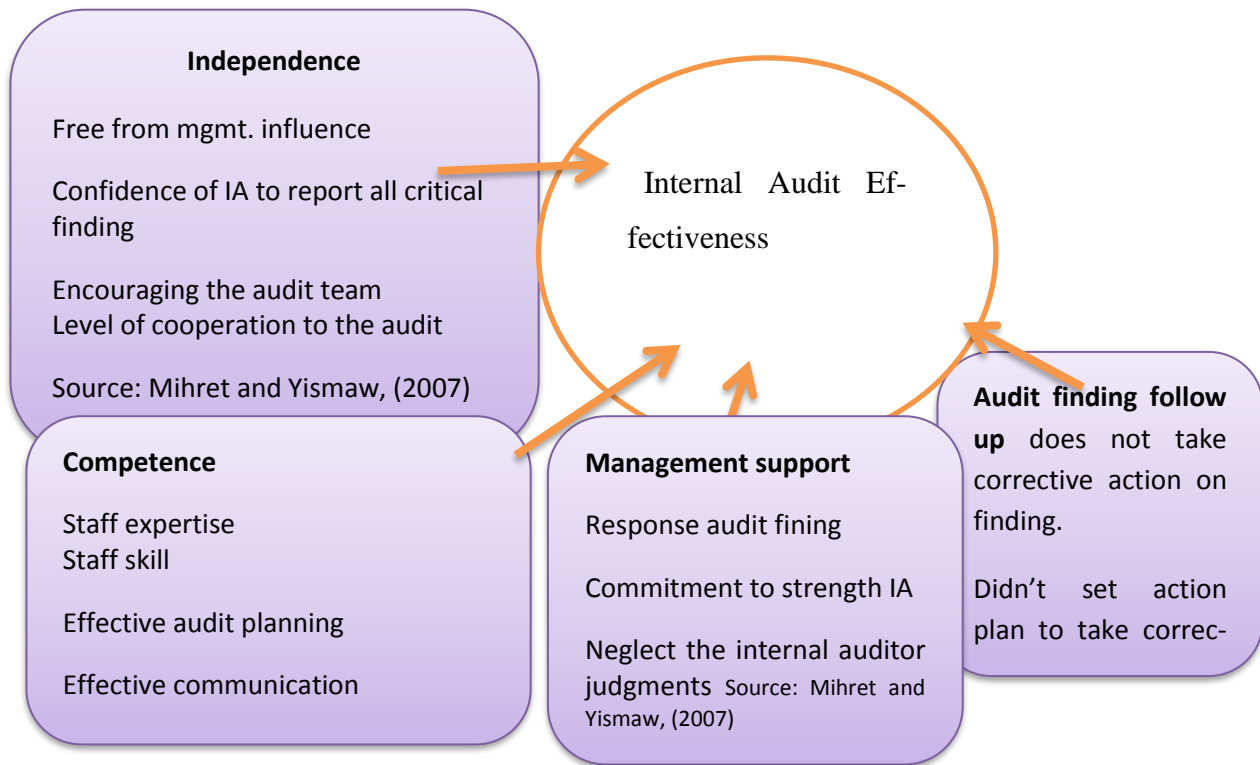
## **2.3 Conceptual Frame work of Internal Audit Effectiveness**

According to Hawa (2016) Effectiveness is the achievement of internal auditing goals and objectives using the factor measures provided for determining such factors (Dittenhofer, 2001). That is, effectiveness in terms of achieving the IA goals and objectives, though interpreted in different ways. Mihret and Yismaw (2007) described the characteristics of effective internal audit unit from the internal audit point of view. Effective Internal Audit (IA):

- Undertakes an independent evaluation of financial and operating systems and procedures;
- Contributes to the achievement of organizational goals;

- Needs management's commitment to implement recommendations;
- Provides useful recommendations for improvements as necessary
- Affected negatively by lack of attention from management which in turn adversely affects the auditee attributes; and
- Management support is a natural quid pro quo for effective internal audit.

**Figure 1: Conceptual frame work for the Factors that Affecting the Effectiveness of Internal Audit**



The above figure 1 indicates that internal audit and management is the interdependent unit that should be collaborated to achieve organizational goals. While doing their activities, there is some value that internal audit unit seeks from management (such as management support, commitment, expectation, Response audit fining etc.) and that the management wants from the internal audit like adding value in decision making by providing sufficient information and reducing information asymmetry, monitoring and improvement of the risk management and internal control system.

## **2.4 Empirical evidence**

### **2.4.1 Factors influence Internal Audit Effectiveness**

According to Shewamene, (2014) and Abraham (2015) defined the term “effectiveness” as follows; for instance, Arena and Azzone(2009) defined effectiveness as “the capacity to obtain results that are consistent with targets” Dittenhofer (2001) “Effectiveness is the achievement of internal auditing goals and objectives using the factor measures provided for determining such factors”

In Mihret and Yismaw, (2007) internal audit effectiveness is defined as “the extent to which an internal audit office meets its supposed objective or the extent to which it meets the intended outcome”. The entire three authors’ defined effectiveness in terms of achieving the IA goals and objectives, though interpreted in different ways. Mihret and Yismaw (2007) described the characteristics of effective internal audit unit from the internal audit point of view. Effective Internal Audit (IA): Undertakes an independent evaluation of financial and operating systems and procedures; Contributes to the achievement of organizational goals, needs management’s commitment to implement recommendations; Provides useful recommendations for improvements as necessary; Affected negatively by lack of attention from management which in turn adversely affects the auditee attributes; and Management support is a natural quid pro quo for effective internal audit. While; Sarens and Beelde (2006) point out the contribution and roles of internal audit in organizations or corporate governance from the senior management’s expectation point of view. Senior management expects internal audit: to compensate for management’s loss of control resulting from increased organizational complexity, to be the safeguard of corporate culture through personal contacts with people in the field, to be a supportive functions in the monitoring and improvement of the risk management and internal control system, to be laid a training ground for future managers, and to collaborate actively with the external auditors to increase total audit coverage. This indicates that internal audit and management is the interdependent unit that should be collaborated to achieve organizational goals. While doing their activities, there is some value that internal audit unit seeks from manage and that the management wants from the internal audit like adding value in decision making by providing sufficient information and reducing information asymmetry, monitoring and improvement of the risk management and internal control system. And also according to Abraham .Y (June, 2015) the same as the above author defined effectiveness in terms of achieving the internal audit goals and objectives, though in-

terpreted in different ways. Mihret and Yismaw (2007) described the characteristics of effective internal audit unit from the internal audit point of view. Effective Internal Audit undertakes an independent evaluation of financial and operating systems and procedures, contributes to the achievement of organizational goals, needs management's commitment to implement recommendations, provides useful recommendations for improvements as necessary, affected negatively by lack of attention from management which in turn adversely affects the auditee attributes, and management support is a natural quid pro quo for effective internal audit To day to protect the internal audit independency according to the federal government of Ethiopia financial administration proclamation No **No.970/2016** which made the head and professional staffs of internal audit of public bodies shall be accountable to the minister of finance

#### **2.4.2 Independence /objectivity of internal auditors**

According to Zulkifli, Alagan and Mohd(2014) Factor that may contribute to the effective government audit activities is the need of Organizational independence and objectivity which can allow the audit activity to conduct work without interference by any party for the audit task. The independence and objectivity of internal auditing is with respect to both assurance services and consulting for the organization. Independence and objectivity are closely related where the freedom from conditions that may threaten objectivity and no significant quality compromises are made during rendering the audit service. In fact, the audit activity should have sufficient independence from those it is required to audit so that it can both conduct its work without interference and be seen to be able to do so. This is very crucial element in conducting audit because the auditors can access to any document relating to the audit work without favor and fear. This will make the auditors provide the objective report and reliable professional judgment on the auditing work to achieve the mandate given to them with integrity. This could affect the effectiveness of internal auditing as even though internal auditor are charged with upholding the best interests of their employer, they may be reluctant to counter management, regardless of consequences.

#### **2.4.3 Auditors competency**

According to Coetzee, Fourie, Plant & Barac Southern African Journal of Accountability and Auditing Research (SAJAAR, 2013) internal auditing was already a well-established and well respected activity, but in the eighties there was little indication that it was well-defined or clearly directed. Since the above statement was made by Mautz and Sharaf, a great deal of

effort has gone into developing, defining and directing the internal audit profession. These developments have been built on or flowed from the Statement of Responsibilities of Internal Auditing, prepared by the research committee of the IIA and approved by the board of directors at its meeting on 15 July 1947. The purpose of the Statement was to establish a set of guidelines that defined the proper role and responsibilities of the internal audit activity within an organization (Flesher 1996). The Statement has been regularly updated, and in June 1999 the IIA's board of directors voted and approved a new set of guidelines, headed by a new definition of internal audit, that is now known as the Professional Practices Framework (IIA 2001). This has continued to be regularly updated and today the IPPF (IIA 2011) consists of six elements (chapters) providing guidelines on the role and responsibilities of the internal audit activity

#### **2.4.4 Management support to the roles of IA**

According Shewamene (2014) internal auditors has a close relationship with organization's management in their day to day activities. They need good support and perception from their management to be more effective and to achieve the audit objectives. Management support is expressed in terms of supporting the auditing process by fulfilling the necessary resources, finance, transport if required, providing training, introducing auditors with new technology and procedures, budgeting funds for certification and other facilities that facilitate the internal auditing works.

Management support has a far-reaching consequence on IA effectiveness in organizations. For example, Mihret and Yismaw (2007) in their case study of IA effectiveness on public sector shows that the component of management support consists of the response to audit finding and the commitment to strength internal audit which has significance influence on IA effectiveness. Given the fact that internal audit activities are performed in dynamic management process and more supportive environment, internal auditor expects senior management to take the first steps to support the IA process. Similarly, Sarens and Beelde (2006) argue that the overall acceptance and appreciation of IA within the company is strongly dependent upon the support they receive from senior management. IA actively seeks management support with resources, commitment to promote and communicate their added value.

The management support is almost crucial to the operation and internal audit; because all other determinants of IA effectiveness derive from the support of top management given that

hiring proficient IA staff, developing career channels for IA staff, and providing organizational independence for IA work are the results of decisions made by top management (Cohen & Sayag, 2010). This means it is the interest of management to maintain a strong internal audit department (Adams, 1994, Mihret and Yismaw, 2007). The management of an organization is viewed as the customer receiving IA services. As a result, management's commitment to use audit recommendations and its support in strengthening internal audit is vital to IA effectiveness. So that the internal audit to provide value adding service should be designed on the consideration of organizational objectives. The objectives of audit can be achieved by the collaborations of Internal Audit Function (IAF) and the management of organizations.

#### **2.4.5 Follow-up the audit finding**

Follow-up the Internal Auditors should take reasonable measures to ensure that Management takes action on all the internal audit recommendations so as to ensure that the organization benefits from the audit engagement. According to IASOPM (2013) after a reasonable period of time, the audit staff will conduct a follow up review of areas previously audited, to determine if corrective action has been effectively implemented as previously agreed.

#### **Audit Responses**

The need for a written response to an audit report will be specifically indicated in the report. Normally a time limit to respond to audit findings and recommendations will be included in the audit report when a response is required.

The auditee's views about audit conclusions or recommendations may be included in the report. As part of the internal auditor discussions with the auditee, the internal auditor should try to obtain agreement on the results of the audit and a schedule management action plan to improve operations.

If management response to any audit finding is not considered adequate, internal audit department personnel shall consult with the management of the function being audited and attempt to reach a mutually agreeable resolution. If an agreement is not reached, internal audit management shall pursue the matter through channels to appropriate members of management for resolution. The status of unresolved items will be reported to the accounting officer

#### **2.4.6 Knowledge Gap Identification**

Ethiopian studies are not addressed internal audit in local government administration, for example, Mihret and Yismaw (2007) study is about public sectors particularly higher educational institutions, and Belay (2007) study is about effective implementation of internal audit function to promote good governance in the public sector, whereas, Mihret (2010) studied the factors associated with attributes of internal audit departments . Internal audit effectiveness is arguably a result of the interplay among different factors. However, these factors which have a massive effect on internal audit effectiveness are not thoroughly investigated. As Cohen and Sayag (2010) find top management support was strongly and consistently related to the three internal audit dimensions such as auditing quality, auditee evaluations and the added contributions. In addition, they stated that the greater the organizational independence increases positive internal auditee evaluation. Furthermore, the size of internal auditors staff, skills and experience of internal auditors, continues professional development and academic level are the best indicators of internal audit quality (Arena and Azzone, 2009; Cohen and Sayag, 2010; Al Twaijryet al.2004).

However, the review of empirical review reveals that most of the studies were outside Ethiopia but there are few studies work on influential factors affecting IA effectiveness for example, there is lack of direct internal audit research in the areas of factors influencing with respect to independence, competencies, and management support after the implementation of the new amendments of legal frame work (PFM reform) of internal auditors in the Ethiopian federal public body. That's why the researcher currently needs to investigate factors influencing internal auditor's effectiveness in the federal public bodies particularly in the areas of administration and general service sector.

## CHAPTER THREE

### RESEARCH METHODOLOGY

#### 3.1 Research Method

The prerequisite for choosing the sources of information is based on the selection decision of the nature of the information to be examined. When using qualitative research, it has an advantage for the possibility of acquiring current and up to date information about the study. Most of the time, quantitative research is believed to offer the researcher with rigorous, reliable, verifiable data and qualitative research tries to explain a phenomenon that occurs in natural setting through the eyes and views of the participants. The researcher used descriptive research design by using both qualitative and quantitative (Mixed) approach using open and close ended questions because this method helps to generate and analyzes data. Therefore, in order to achieve the objectives of this study and thereby to give answer for its problems, mixed research approach will use by the researcher. The research used descriptive methods to describe and trying to assess the factors affecting internal audit the effectiveness of the governance, control and risk management process in administrative and general service sector of Federal public bodies.

#### 3.2 Research Design

Research design helps researchers to provide data that can answer the research questions or attain the research objectives. There are many types of research designs, depending on the types of data that the researcher want to collect and analyze, such as action, causal, experiment, cross-sectional, descriptive and so on . However, this study employed descriptive research design. The researcher used descriptive study, the study undertaken descriptive analysis that describes factors affecting internal audit effectiveness in administrative and general service sector of Federal public bodies.

#### 3.4 Sampling design and sample size

Since this study mainly focus on 2010 E.C of 178 Federal budgeter institutions, these Federal public budgetary institutions classify by three these are: - (a) administrative and general, (b) Economy and (C) social public bodies according to the division their task. This study, focus in administrative and general service. In these public bodies, there are more than 50 budgetary public bodies, these public bodies all of them have internal audit staff, the researcher determined and selected only 10 public bodies purposively out of 50 public bodies as minimum

by taking into consideration select Criteria I'm team leader of this sector so known the organizations, they were had higher budget allocation, Resources mobilization, Risk area relative to other public bodies and target group selected based on area of specialties has knowledge on the topic of a population and the objective of the study and also the target groups budgetary public bodies internal audit financially or other report submit to in the Inspection Directorate admin and general service sector so that well informed on the tasks of internal audit department .in doing this, from each public bodies one top management, two department of finance and three internal audit department and also from inspection directorate ten auditor participated for the questionnaires administer.

Finally, the sample size for these study 70 respondents was selected and that are expected to be used as a representative of other sectors. In addition, the Ministry of finance Inspection Directorate will would be include as a target group in the study because it had a regulatory role for internal audit systems in the federal public institutions. It is receiving audit plans and reports from IAs of the federal public institutions and reviews their tasks. Therefore, that the directorate well knows the strengths and weakness areas internal audits that need further improvements and can provide this information through questionnaire and interview discussion.

### **3.3 Sampling design and sample size**

It considered being able to evaluate based on 2010 E.C of 178 Federal budgeter institutions, these Federal public budgetary institutions classify by three according to their mission. These public bodies are: - (a) administrative and general, code of budget 100,(b) Economy, code of budget 200 and (C) social, code of budget 300, This study, focus on administrative and general service. These sector 50 budgetary public bodies, and these public bodies all of them have internal audit staff, the researcher determined and selected only 10 public bodies purposively out of 50 organization as minimum by taking into consideration select Criteria I'm team leader of this sector so known the organizations, they were had higher budget allocation, Resources mobilization, Risk area relative to other organization and target group selected based on area of specialties has knowledge on the topic of a population and the objective of the study and also the target groups budgetary public bodies any internal audit report submit to in the this sector admin and general service sector so that well informed on the tasks of internal audit department .in doing this, from each public bodies one top management, two department of finance and three internal audit department and also from inspection directorate ten auditor participated for the questionnaires administer.

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### **3.4 Sample of the organization**

1. Ministry of Revenues
2. Ministry of finance
3. federal supreme court
4. federal police commission
5. Ministry federal Attorney
6. Federal Pensioner administrative
7. Innovation and technology Ministry
8. Meles Zenawi Academy
9. Ethiopia news service agency
10. Ethiopia bio technology institute and inspection department of Mof

The target population working in the above listed organization of the department of like finance, internal audit and top management offices the reasons why they were chosen as the target groups that the internal audit frequently submits the reports on the findings of assurance and consulting activities to the top management for decision making so that the top management is well informed on the tasks of internal audit department. Finance and internal audit are working together for the achievement of the organization's objectives and proper utilization of resources that the head of finance has more opportunities to know the internal audit activities than other finance personnel. The head of internal audits and senior auditors were assumed to be graduates from higher educational institutions. Furthermore, they have more experience in the area of internal auditing. Moreover, they can understand and responds for the concepts raised in the questionnaires than other internal auditors.

In addition, the Inspection Directorate was included as a target group in the study because it has a regulatory role for internal audit systems in the federal public institutions. It is receiv-

ing annual audit plans and quarterly financial, performance and special audit reports, from internal audits of the federal public institutions and reviewed their tasks. Therefore, the researcher believed that the directorate well knows the strengths and weakness areas internal audits that need further improvements and can provide this information through questionnaire and interview.

### **3.5 Data sources and collation method**

The primary and secondary sources of data used in this study.

The primary sources gathered through questionnaires which that were distribute to the budgetary institution for top management, internal audit department, finance department and Inspection Directorate of Ministry of Finance and Moreover, for additional enforcement purpose, the focus group discussion for interview with members of the objective to get more data that uncover by the questionnaires and to cross check the responds of the internal audits.

The secondary data sources are proclamation, articles, internal audit manuals, unpublished quarterly financial audit, special audit and performance audit reports from the organization submitted to inspection directorate, websites and other related document.

### **3.6 Data Analysis Methods**

In view of the descriptive nature of this study, the raw data collected through questionnaires carefully tabulate, focus group discussion Interviews describe include in the data presentation and analysis.

The descriptive statistical results, presented through tables, frequency distributions and percentages of the data. In the analysis of the data the research questions raised, frequency and percentage tables based on the liker type of scale responses of respondents constructed.

The analysis was based on the research questions and focus group discussion interview. The data presented with the help of figures and tables, followed by a narrative discussion to help the reader understand the data in the proper perspective related to the findings. In addition to this, the data analyzed with the help of word and MS-Excel through a descriptive statistics to provide details concerning question relating to independence, competencies & management support and follow up regarding public organization. Data from questionnaires was summarized, edited, tabulated and analyzed.

Qualitative and Quantitative analysis used as data analysis technique. Primarily the data was collected through the questionnaires and focus group discussion interview analyzed by using descriptive statistics for responses to obtained by using liker scale method closed ended and interview questions and then tabulated and analyzed to present the research findings. Analysis of the data is based on potential factors in which internal auditors face at to independence, competencies and management support planning, evaluating, reporting and monitoring audit activities, and areas related.

## **CHAPTER FOUR**

### **4. DATA PRESENTATION, INTERPRETATIONS AND ANALYSIS**

#### **4.1 Introduction**

This chapter expresses the presentation and analysis of the data collected the sample Administrative and General Service sector of Federal budgetary public bodies factor affecting internal audit effectiveness therefore; the study presents the analysis and discussions for research findings obtained from the questionnaires and interview investigation results obtained from internal auditors, accountants and top management of the public budgetary organization offices covered in the questionnaire.

The discussion begins with the questionnaires response rate followed by the descriptive statistics of the respondent's related questions. Wherever applicable, Frequency, Percentage , tables, & charts are provided to illustrate and support the findings.

In the analysis of the data the research questions raised, frequency and percentage tables based on the likert type of scale the respondents constructed. The analysis was based on the research questions. Data was analyzed through a descriptive statistics to provide details concerning question relating to independence, competencies and top management support analyzed regarding public budgetary institution.

Data from questionnaires and interview are summarized, edited, tabulated and analyzed, qualitative and quantitative data analysis are used to as, Primarily data was collected through the questionnaires and interview and data analyzed by using descriptive statistics for responses to be obtained by using likert scale method, open-ended and closed questions and then tabulated, and analyzed to present the research findings.

Analysis of the data is based on potential factors affecting internal audit effectiveness in which internal auditors face related to independence, competencies & top management support. The study targeted a sample size of 70 respondents from which 67 filled in and returned the questionnaires making a response rate of 96% This response rate was satisfactory to make conclusions for the study.

#### 4.1.2 Characteristics of the Respondents

The sample respondents used in this paper are classified in to three, audit department a director and 2 senior auditor,a finance director and 1 accountants and also 1 top management of the organization, and 10 auditor from inspection directoret purposively selected budgetary organization and inspection . from the distribution of 70 questionnaire 67 questionnaires were collected 7 response from top management 30 from audit departement, 20 from finance department and 10 from Ministry of finance inspection diractorate which gives a response rate of 96% and indicates good response rate..

#### 4.1.3 Demographic characteristic

The Demographic characteristics of the respondents presented in terms of Genders, Status, Level of Education, Profession and Service years.

**Table 1** Gender profile

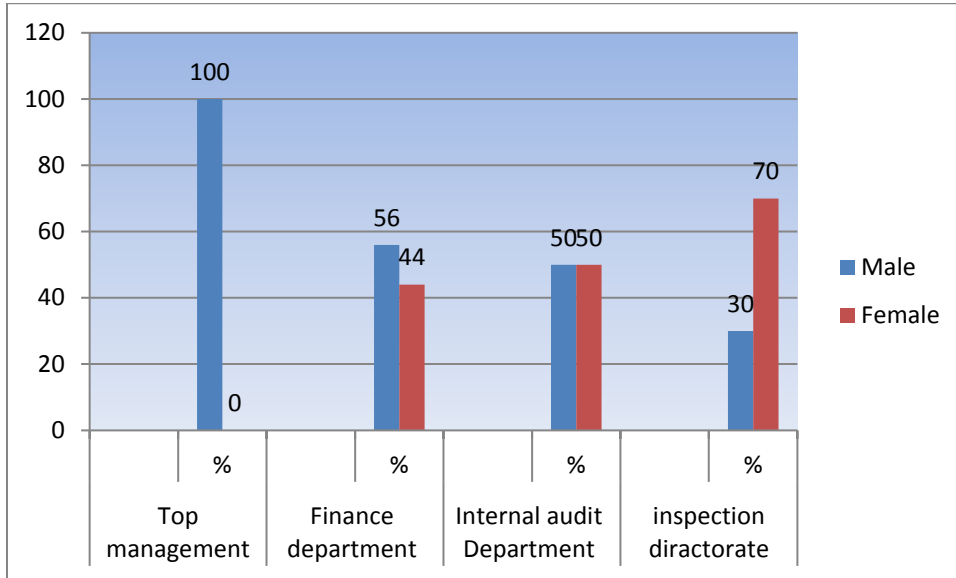
Demogr aphic	Nunper of Response									
	Top management		Finance depart- ment		Internal audit Department		inspection diractorate		Total	
Gender	Frequency	%	Frequency	%	Frequen- cy	%	Fre- quency	%	Fre- quenc y	%
Male	7	100	11	55	15	50	3	30	36	56
Female	0	0	9	45	15	50	7	70	31	44
Total	7	100	20	100	30	100	10	100	67	100

*Source: survey data 2019*

As shown that, from the above table 1 average respondant number of male (56%) was moderately higer than the fmale respondents (44 %) this result shows,that the male gender dominations in this study.

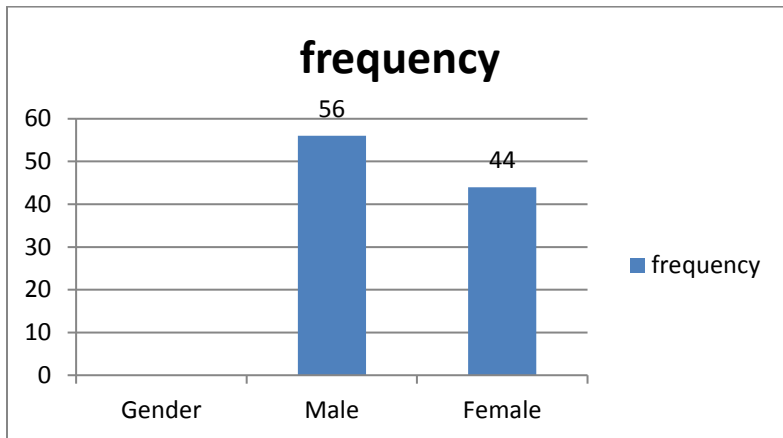
Chart 1 Gender

By departement



As shown that, from the above chart 1 indicate respondant from top management depart ment was 100% of male, from the finance dpartment 56% of male and 44% of female,from the IA department 50%of male and 50% of female and Inspection directorate 70% of male and 30 % of female The indicate that only IA department equal gender participant but the other dpartement male dominant.

Chart 2frequency of respondent

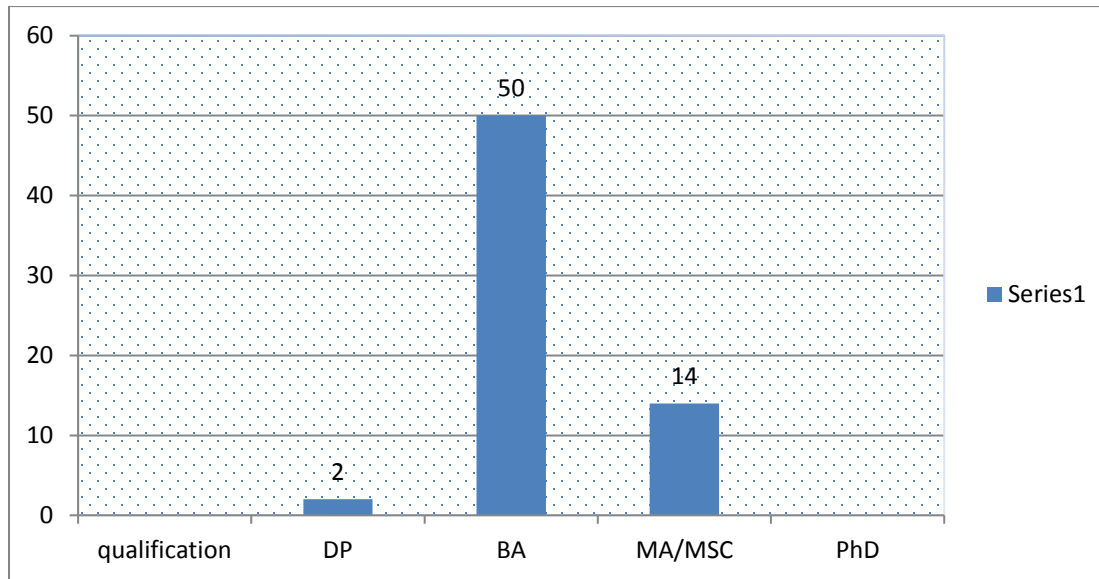


Source: survey data 2019

## Educational background

As shown that, from the above table 1 average respondent number of male (56%) was moderately higher than the female respondents (44 %) this result shows, that the male gender dominations in this study

**Chart 3 Educational background**



*Source: survey data 2019*

**Table 2 Educational background**

Level of Educational	Number of Respondant									
	Top management		Finance department		Internal audit Department		inspection directorate		Total	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%
Diploma	0	0	0	0	2	7	0	0	2	3
BA degree	2	29	18	90	28	93	10	100	58	87
MA/MSc	5	71	2	10	0	0	0	0	7	10
PHD	0	0	0	0	0	0	0	0	0	0
Total	7	100	20	100	30	100	10	100	67	100

*Source: survey data 2019*

As findings from the above table 2 regarding the level of educational back grounds, from the total number of respondents 58 (87%) have bachelor's degree and 7(10%) have master's degree and have diploma 2(3%) there was no respondents doctrate degree. There for, this indicate that majority of the respondents involved in this study had university degree as their highest level of education which can contributes more information on the intended work in this study, while, from the top management category 5(71% )of the total top management have master's degree holders and the remaining 2 (29 % )had bacheloder degeree.While from the total finance department 18(90%) have bachelor's degree and 2(10%) had master's degree,from the Internal audit department , 2(7%) dipoloma and 28(93%) bacheloder.

This shows that the majaiorty of the responants have bachelor's degree which enable then to provid the reliable information for the study that, the ideas regarding factor influence internal audit effectiveness in the admininstrative and general service sector to provide sufficient and reliable information for the study.

**Table 3 Respondents experience**

Years of expriance	Nunper of Responondant									
	Top management		Finance department		Internal audit De- partment		inspection diractorate		Total	
	Frequency	%	Frequency	%	FreQ	%	Frequency	%	Frequen	%
1-3year	0	0	0	0	0	0	0	0	0	0
3-5 years	0	0	0	0	0	0	0	0	0	0
5-10 years	3	43	12	60	17	57	7	70	39	58
10-20 years	2	28.5	4	20	2	7	3	30	11	17
above 20 years	2	28.5	4	20	11	36	0	0	17	25
Total	7	100	20	100	30	100	10	10	67	100

*Source: survey data 2019*

The above data concludes that, the distribution of years of experience that the respondents had with working all of the respondents have more than 5 years of experience working in their profession from the total respondents 39(58%) of the respondent indicated that they had worked for a period range between 6 to 10 years, 11(17%) of the respondents had served 11 to 20

years, and the rest 17(25%) of the respondents indicated that they had worked for a period of more than 20 years.

This implies that majority of the respondents are well experienced accumulated and which in opportunity added recognized value for this study.

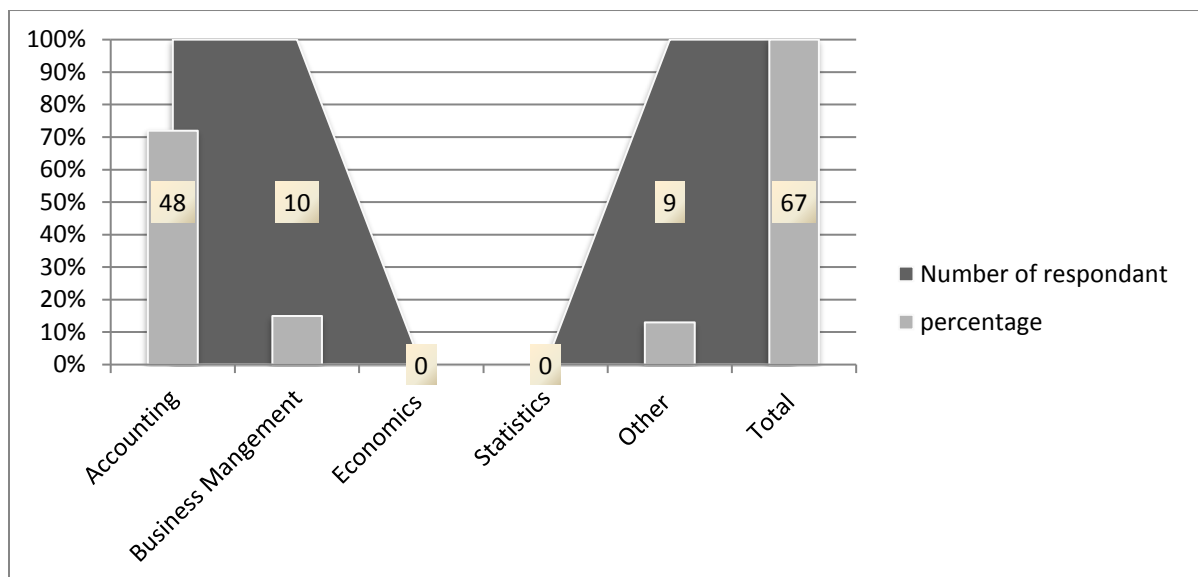
In addition to the above the data concludes that, all of the respondents experience working profession are well experienced working its department which may make more effective in performing their audit engagements

**Table 4** Professions of the respondents

Filed of study	Number of respondent	Percentage
Accounting	48	72%
Business Mangement	10	15 %
Economics	0	0
Statistics	0	0
Other	9	13 %
Total	67	100 %

**Source: survey data 2019**

**chart 4** Professions of the respondents



**Source: survey data 2019**

As it is indicated above,table 4 and chart 4 indicate that almost 48(72%) Of the respondents are accounting profession which is directly related their job position and 10(15%) business

mangement and the remaining 9(13%) responedent has are other like manegement and public administration field of study. shows that the data ,there was no internal auditors in federal public bodies based on salected organization who have a professional Economics and Statistics. And all the 30 respondents of each categories have no any professional certification. This indicates that there could be lack of details skills and expertise to play a significant role in performing their audit activities with competencies.

## 4.2. Results and Discussions

**Table 5** Organizational independence

	Organizational independence	S	%	D	%	N	%	A	%	S	%	mean
1	The IA operates totally independently, and conducts their work without interference.	1	1%	19	29%	7	10%	31	46%	9	13%	3.42
2	The IA decides seriously on the scope, time and extent of auditing procedures based on auditing standards and the government audit policy.	2	3%	9	13%	9	13%	39	58%	8	12%	3.63
3	Independence is the fundamental of effective auditing among other factors in particular	1	1%	4	6%	3	4%	38	57%	21	31%	4.1
4	All IA members feel free to include any audit finding in their audit work and report directly to responsible body	3	4%	13	19%	12	18%	27	40%	12	18%	3.48
5	IA can freely access any necessary documents, information and data about the Process under investigation and hence always accepted	4	6%	11	16%	13	19%	29	43%	10	15%	3.45
6	After the internal auditors administratively accountable to the ministry of finance organizational independence is fully assured.	3	4%	23	34%	15	22%	21	31%	5	7%	3.03
	Average mean											3.52

### 4.2.1 Organizational independence

IIA (2006) stated that organizational independence allows the audit activity to conduct work without interference by the entity and auditors to perform their duties in a manner, which facilitates impartial and effective professional judgments and recommendations.

The survey result as shown Table 5 item 1 the IA operates totally independently, and conducts their work without interference shown by a mean of 3.42 and 59% of the respondents

agreed (31 agreed, 9 strongly agreed), and 31% (1strongly disagreed, 19 disagreed) chooses disagree respectively. The rest 7(13%) of the respondents responds neutral.

The results 59% of perform the auditing activities without any interference from any body and without any influence from the office/sector and also interview number 4 of the respondents without intervention in performing the audit duties.

The data collected as per the above table of item 2 showed that the IA decides seriously on the scope, time and extent of auditing procedures based on auditing standards and the government audit policy as shown by a mean of 3.63. High percentage of the respondents i.e. 70% agreed (39 agreed, 8strongly agreed) and 17% (2 strongly disagreed, 9 disagreed) chooses disagree respectively. The rest 13% of the respondents responds neutral.

This implied that there is no problem the IA to decide the scope of audit, time and extent of auditing procedures based on auditing standards and the government audit policy limitation and On the other hand the interview item 5 the basic scope limitation in performing audit function in the organization, Lack of skill man power, top management not committed to correct action audit finding, organization procurement and property administration do not well planned

According to the survey result in table 5 of item 3 above, it is noted that independence is the fundamental of effective auditing among other factors in particular as shown by mean of 4.10 or 80.8% of the respondents agreed (38 agreed and 21 strongly agreed) whereas 8% of the respondents disagreed (4 disagree and 1 strongly disagree on this issue.) but 3(4%) of the respondents are neutral on this statement.

The result indicates above 80% of respondent Independence is the fundamental of effective auditing among other factors in particularly.

Table 5 item 4 above majority of IA members feel free to include any audit finding in their audit work and report directly to responsible body as point out by mean of 3.48. 58. % of the respondents agreed i.e. (27agreed and 12 strongly disagreed) and 23% disagree i.e. (3 strongly disagree 13 disagree). And the rest 12.18% of the respondents are neutral with the statements.

The data collected shows IA members feel free to include any audit finding in their audit work and report submit directly to responsible body.

Table 5 item 5 below majority IA can freely access any necessary documents, information and data about the Process under investigation and hence always accepted as point out by mean of 3.45. 57 % of the respondents agreed i.e. (29 agreed and 10 strongly disagreed) and 22% disagree i.e. (4 strongly disagree 11 disagree). And the rest 13.19% of the respondents are neutral with the statements

The result indicates 57% of IA can freely access any necessary documents, information and data about the Process under investigation and also to interview question number 2 states cooperation of internal auditors from audittee there had cooperation but sometimes they were not cooperative because the audit customers taught that IAs are fault finders.

The result shows that some of the internal auditors have not got freely access any necessary document and cooperation.

As Table 5 item 6 indicated that after the internal auditors administratively accounted for the ministry of finance organizational independence is fully assured. 47 % of the respondents agreed i.e. (21 agreed 5 strongly agreed) whereas 38% of the participants are disagreed with the statements i.e. (3 strongly disagreed, and 23 disagreed) but the remaining 22% of the participants react neutral.

The result emphasized that; the internal auditors administratively accountable for the Ministry of Finance which means all the administrative activities including recruitment up to retirement of internal auditors should have to be operated by Ministry of finance to keep the influence in IA but not fully addressed organizational independence.

The result emphasized that; the internal auditors administratively accountable to the ministry of finance are not keep the internal audit organizational independence.

**Table 6 Adequate and competent Internal Audit Staff**

No	Adequate and competent Internal Audit Staff	SD	%	D	%	N	%	A	%	SA		Mean
1	The purpose and authority of internal audit is clearly defined in charter	4	6%	7	10%	4	6%	42	63%	10	15%	3.7
2	The IA charter specifies authorized access to records, personnel, and physical properties relevant to the performance of audit engagements	2	3%	7	10%	14	21%	35	52%	9	13%	3.63
3	Internal audit lack communication skill with the audited to get information.	6	9%	13	19%	23	34%	24	36%	1	1%	3.01
4	The existing internal audit staff number and their skill are outstanding and match the scope of internal audit operations and have achieved the organization goal set for the IA	2	3%	18	27%	14	21%	28	42%	5	7%	3.24
5	Internal auditors do not have full competency skill to evaluating over all organization operation evidence	6	9%	19	28%	12	18%	29	43%	1	1%	3
6	The minimum level of skill, knowledge and experience required by internal auditors and the head of internal audit is not fulfilled.	4	6%	17	25%	14	21%	28	42%	4	6%	3.16
7	Internal auditor's department organized sufficient experience to understand the organizations systems.	5	7%	15	22%	12	18%	28	42%	7	10%	3.25
8	Internal auditors get continuous training to upgrade their professional skills.	3	4%	10	15%	17	25%	29	43%	8	12%	3.43

*Source: survey data 2019*

#### **4.2.2 Adequate and competent Internal Audit Staff**

As per IIA (2006), the audit activity needs a professional staff that collectively has the necessary qualifications and competence to conduct the full range of audits required by its mandate. Auditors must comply with minimum continuing education requirements established by their relevant professional organizations and standards.

Engagements must be performed with proficiency and due professional care (Attribute Standards, 1200 of International Standards for Professional Practice of Internal Auditing, 2010 and Government Internal Audit Standards (GIAS, 2011).

Internal auditors must possess the knowledge, skills and other competencies needed to perform their individual responsibilities. The internal audit activity collectively must possess or obtain the knowledge, skills and other competencies needed to perform its responsibilities. So, the internal audit unit should employ staff with varying types and levels of skills, qualifications and experience in order to satisfy the requirements of each internal audit task (Attribute Standards 1210:1-3 of International Standards for Professional Practice of Internal Auditing, 2010).

The survey result Table 6 no. 1 internal audit is clearly defined in the purpose and authority indicate that 3.7 a mean of 3.42 and 78% the respondents agreed i.e. (42 agreed, 10 strongly agreed), whereas 16 % of the respondents disagreed (7 disagree and 4 strongly disagree on this issue.) but 4(6%) of the respondents are neutral on this statement.

The result displays majority respondent agree to internal audit function in the charter clearly defined purpose and authority.

The data collected as per the above table of item 2 showed that the IA charter specifies authorized access to records, personnel, and physical properties relevant to the performance of audit engagements as shown by a mean of 3.63. High percentage of the respondents i.e. 65% agreed (35 agreed, 9 strongly agreed) and 13% (2 strongly disagreed, 7 disagreed) chooses disagree respectively. The rest 21% of the respondents responds neutral.

The data collection result shows indicate high percentage of the respondents agree to the IA charter specifies authorized access to records, personnel, and physical properties relevant to the performance of audit engagements.

According to the survey result in table 6 of item 3 above, it is noted that Internal audit problem of communication skill with the audited to get information as shown by mean of 3.01, 37% of the respondents agreed (24 agreed and 1 strongly agreed) whereas 28% of the respondents disagreed (13 disagree and 6 strongly disagree on this issue.) but 23(34%) of the respondents are neutral on this statement.

This data indicates majority respondent is not known internal audit communication skill with the audited to get information

Table 6 items 4 above majority the existing internal audit staff number and their skill are outstanding and match the scope of internal audit operations and have achieved the organization goal set for the IA as point out by mean of 3.24. 49. % of the respondents agreed i.e. (28 agreed and 5 strongly disagreed) and 30% disagree i.e. (2 strongly disagree 18 disagree). And the rest 14.21% of the respondents are neutral with the statements.

The result showed that 51% internal audit staff number they have skill gap.

Table 6 items 5 above internal auditors do not have full competency skill to evaluating over all organization operation evidence as point out by mean of 3. (44 %) of the respondents agreed i.e. (29agreed and 1 strongly disagreed) and 27% disagree i.e. (6strongly disagree 19 disagree). And the rest 12.18% of the respondents are neutral with the statements majority IA can freely access any necessary documents, information and data about the Process under investigation and hence always accepted. And also interview item 6 internal audit department in the organization is competent enough to successfully carry out audit duties the respondent half of their maintain appropriate standards of work and conduct for application all over internal audit functions done but not enough internal audit department do not welled structured, not enough resource allocation upgrade the audit profession

The result showed that, from the question and interview agree to the internal auditors do not have full competency skill to evaluating over all organizational operation evidence because lack of man power, are not enough skilled employed and auditor not get enough training time and resource allocation upgrade the audit profession

Table 6 items 6 above the minimum level of skill, knowledge and experience required by internal auditors and the head of internal audit is not fulfilled, the result shown by mean of 3.16 48 % of the respondents agreed i.e. (28 agreed and 4 strongly disagreed) and 31% disagree i.e. (4 strongly disagree 17 disagree). And the rest 14 .21% of the respondents are neutral.

The result shows majority respondent agree to the minimum level of skill, knowledge and experience required the internal audit is not fulfilled.

Table 6 items 7 above internal auditor’s department organized sufficient experience to understand the organizations systems by mean of 3.25, 52 % of the respondents agreed i.e. (28 agreed and 7 strongly disagreed) and 27% disagree i.e. (5 strongly disagree 15 disagree). And the rest 12.18% of the respondents are neutral with the statement.

The result show Majority IA department organized sufficient experience and understand the organizations systems.

The last item 8 indicated that Internal auditors get continuous training to upgrade their professional skills by mean 3.43, 55% of the respondents agreed i.e. (29 agreed 8 strongly agreed) whereas 19% of the participants are disagreed with the statements i.e. (3 strongly disagreed, and 10 disagreed) but the remaining 17, 22% of the participants react neutral.

The result indicate that respondent agree to the internal auditor to get continuous training to upgrade their professional skills.

**Table 7** Top management support

The Management Support		SD	%	D	%	N	%	A	%	SA	%	mean
1	Finance department doesn't submits monthly Financial report , auditable document and audit query response on time to internal auditors for audit engagement	8	12%	16	24%	6	9%	33	49%	4	6%	3.13
2	The top management support /checked/follow up Internal audit report disclosed based on the directives scheduled	5	7%	18	27%	13	19%	27	40%	4	6%	3.10
3	Management support the internal audit in performing their audit work	5	7%	11	16%	13	19%	29	43%	9	13%	3.39
4	The top management takes corrective action on the internal auditors findings based on the internal audit guidelines.	4	6%	17	25%	10	15%	28	42%	8	12%	3.28

5	The internal audit team has direct support and assistance from the top management	3	4%	13	19%	13	19%	29	43%	9	13%	3.42
6	The internal audit team members has direct support and assistance from department head and team leader	2	3%	9	13%	9	13%	35	52%	12	18%	3.69
7	Top management believes that internal audit are part of the internal control of the organization to achieve its goal and objectives	2	3%	12	18%	12	18%	31	46%	10	15%	3.52
8	Management does not provide enough support and encouragement for training and developing the IA staff	7	10%	14	21%	13	0.19	26	39%	7	10%	3.18

*Source: survey data 2019*

#### **4.2. 3.Top management support**

The Attribute Standard 1110 of International Standards for Professional Practice of Internal Auditing (2004 and 2010) states that, keeping organizational independence; top managers can support internal auditors in identifying high-risk areas by asking them to include certain processes in the audit plan. A key decision about the organizational role of internal audit (IA) concerns its relationship with top management and audit committee (AC). If IA reports to the AC, its role within the organization is also reinforced and the communication of managerial problems to the top levels of the company is helped (Goodwin & Yeo, 2001

The result indicate that a mean of 3.13 and 54% the respondents agreed i.e. (33 agreed, 4 strongly agreed), whereas 36 % of the respondents disagreed (16 disagree and 8 strongly disagree on this issue.) but 6(9%) of the respondents are neutral.

The result shows that the finance department is not submitted financial report, not response audit query on time to internal auditors for audit engagement.

The data collected as per the above table 7 items 2 showed that top management support /checked/follow up internal audit report disclosed based on the directives scheduled as shown by a mean of 3.10. Below fifty percent of respondents i.e. 46 % agreed (27 agreed, 4 strongly agreed) and 34% (5strongly disagreed, 7 disagreed) chooses disagree respectively. The rest 13, 19% of the respondents responds neutral.

The result shows top management didn't support not attention given the internal audit report disclosed based on the directives scheduled.

According to the interview question item 7 reporting follow-up and quality review in auditing department in the organization who is performing the follow-up and quality assurance and what time period the response established form groups according that the employees of the public body are performing their duties in compliance with the financial administration proclamation financial regulations and directives laid down in accordance with the proclamation and that the internal audit is carried out timely but the audit department to assaying someone and follow –up and report quality of the end of the quarter

According to the survey result in table 7 of item 3 above majority top management support the internal audit in performing their audit work as shown by mean of 3.39, 56% of the respondents agreed (29 agreed and 9 strongly agreed) whereas 23% of the respondents disagreed (11 disagree and 5 strongly disagree on this issue.) but 13(19%) of the respondents are neutral.

This indicates majority respondent management support the internal audit in performing their audit work but contradict in the item 2 because above result top management doesn't support and not attention given the internal audit report disclosed based on the directives scheduled.

Table 7 item 4 above majority top management takes corrective action on the internal auditors findings based on the internal audit guidelines.as point out by mean of 3.24. 54 % of the respondents agreed i.e. (28 agreed and 8 strongly disagreed) and 31% disagree i.e. (4 strongly disagree 17 disagree). And the rest 10, 15% of the respondents are neutral.

The result shows grater than fifty percent respondent top management takes corrective action on the internal auditors findings based on the internal audit guidelines this also contradict in the item 2 because above result top management doesn't support and not attention given the internal audit report disclosed based on the directives scheduled.

Table 7 items 5 above the internal audit team has direct support and assistance from the top management as point out by mean of 3.42, 56% of the respondents agreed i.e. (29 agreed and 9 strongly disagreed) and 23% disagree i.e. (3 strongly disagree 13 disagree). And the rest 13.19% of the respondents are neutral with the statements.

The result shows majority respondent agrees to the internal auditors to get support and assistance from the top management.

Table item 6 the internal audit team members has direct support and assistance from department head and team leader the same result to get department head and leaders.

The recognition of audit finding reports as a tool which gives a clue on the current financial performance and internal control mechanisms in particular influenced the effectiveness of the IA team as compared with other items in the category as indicated with a mean score.

Table 7 items 7 below top management believes that internal audit are part of the internal control of the organization to achieve its goal and objectives the result shown by mean of 3.52 61 % of the respondents agreed i.e. (31 agreed and 10 strongly disagreed) and 21% disagree i.e. (2 strongly disagree 12 disagree). And the rest 12 .18% of the respondents are neutral. The result shows majority respondent agree to internal audit are part of the internal control of the organization to achieve its goal and objectives.

The last item 8 indicated that management does not provide enough support and encouragement for training and developing the IA staff by mean 3.18, 49% of the respondents agreed i.e. (26 agreed 7 strongly agreed) whereas 31% of the participants are disagreed with the statements i.e. (7 strongly disagreed, and 14 disagreed) but the remaining 13, 19% of the participants react neutral. The result emphasized that; management does not provide enough support and encouragement for training and developing the IA staff.

Table 8 **Audit finding follow up**

Audit finding follow up	SD	%	D	%	N	%	A	%	S	%	Mea n
The internal auditors establish follow up process to ensure that corrective action have been effectively implemented	15	22 %	3 0	45 %	3	4 %	1 2	18 %	7	10 %	2.49
Management set action plan to take corrective action on the audit finding	12	18 %	3 1	46 %	6	9 %	1 6	24 %	2	3%	2.48
Management does not take corrective action on the reported internal audit findings	9	13 %	1 5	22 %	4	6 %	1 8	27 %	21	31 %	3.40

*Source: survey data 2019*

Follow-up the Internal Auditors should take reasonable measures to ensure that Management takes action on all the internal audit recommendations so as to ensure that the organization benefits from the audit engagement. According to IASOPM (2013) after a reasonable period

of time, the audit staff will conduct a follow up review of areas previously audited, to determine if corrective action has been effectively implemented as previously agreed and also According to MoFED (2005) Audit findings after reported to the management and auditee there needs to have follow up whether the audit recommendation and management decision implemented according to the correction. To follow the implementation of audit finding and to give further corrective action internal audit shall have a manual to guide those activities. Any work activity of internal audit department must have the internal audits working papers to guide the audit work and follow upping that needs corrective actions

Table 8 items 1 below the internal auditors establish follow up process to ensure that corrective action have been effectively implemented as point out by mean of 2.49, 28% of the respondents agreed i.e. (12 agreed and 7 strongly disagreed) and 67% disagree i.e. (15 strongly disagree 30 disagree). And the rest 3.4% of the respondents are neutral. The result shows, that majority respondent the internal auditors is not establish follow up process to ensure that corrective action have been effectively implemented.

Table 8 items 2 Management set action plan to take corrective action on the audit finding the result shown by mean of 2.48 27% of the respondents agreed i.e. (16 agreed and 2 strongly disagreed) and 64 % disagree i.e. (12 strongly disagree 31 disagree). And the rest 6.9% of the respondents are neutral. The result indicates that top management of the organization is not set action plan to take corrective action on the audit finding.

The last item 3 indicated that Management does not take corrective action on the reported internal audit findings by mean 3.4, 58% of the respondents agreed i.e. (18 agreed 21 strongly agreed) whereas 35% of the participants are disagreed with the statements i.e. (9 strongly disagreed, and 15 disagreed) but the remaining 4, 6% of the participants react neutral.

The majority result emphasized that; management does not take corrective action on the internal audit finding.

Final interview item 8 question result internal auditors to add value and comes champions in the profession must be the Internal audit fully respond to management on the audit function and internal auditors are make efforts to understand management needs, The auditor is free from any innervation, The top management to understand auditor, To allocate the resource for the auditor, To improve they salary and other incentive and To upgrade they skill the audit profession.

Based on the interview item 3 indicate the respondent the top management and other department understand the role of internal audit function by two ways one aspects top management understand the auditor to protect the organization from any risk so, support IA department in the other ways the top management and employees feel negative altitude interpretation role of internal audit function.

## **CHAPTER FIVE**

### **5. Summary of Findings, Conclusions, Recommendations, Limitations and Suggestion of the Research**

#### **5.1 Introduction**

This chapter presents summary of findings, conclusions, recommendations, limitations and suggestion of the research. The main purpose of this study is to examine the factors influencing IA effectiveness in performing audit activities in administration and general service budgetary public organizations. This study was carried out in 10 budgetary public organization and inspection directorate, which is under ministry of finance, which plays a regulatory role. The data were collected through the use of questionnaires and the research paper used descriptive statistics. The questioners were collected using likert scale, from which 26 were close ended questions and 8 were open ended interview questions. All questions were analyzed using frequency table from which determined the percentages and mean.

#### **5.2 Summary of Findings**

Based on the survey conducted on related literature review, analysis and interpretation of data, the Following are the major findings of the research work:

The demographic sample showed that 56% of the respondents were male and 44% were female. The data were collected from overall 3 departments that are the top level managers, audit departments and finance departments. 87% of survey respondents had bachelor degree, while the other 10% had Master's Degree and 3% has diplomas. In terms of work experience, they all are well experienced and there are no respondents who had less than 5 year experience. 58% of the survey respondents had 5 to 10 years of work experience while 17% had 10 to 20 years of experience and the rest 25% had more than 20 years of experience, and the majority of the respondents were business professionals which includes accounting and management field of study.

Based on the analysis of the information presented above the survey result revealed that, organizational independence is almost neutral/average/ in terms of conducting their work without interference, deciding, on the scope, time and extent of auditing procedures based on auditing standards and the government audit policy. Although the survey result shows the engagement

of audit which means determination of scope, time and following the audit procedure and activities are performed without any limitation , internal auditors still come up with a challenge in assuring their independence fully because of the internal auditors administratively accountable for the Ministry of Finance which means all the administrative activities including recruitment up to retirement of internal auditors should have to be operated by Ministry of finance to keep the independence in IA but not fully implemented.

With regards to adequate &competent internal auditor's staff concerned, the study result shows that, internal auditors to some extent lack communication skills, lack well-structured and skilled man power, not enough resource allocation although the minimum level of knowledge and experience required by internal auditors is not fulfilled. An internal auditor doesn't have full competency skill to evaluate over all organization operation evidence; they have sufficient experience to understand the organizations system and didn't get continuous training to upgrade their professional skill. So that, this shows that there is an opportunity for the internal auditors to develop their competency skill.

On the other hand, management support in such public sector indicates that, in performing their audit activities without interference, 58% top management takes corrective action on the internal auditors findings based on the internal audit guidelines, But top management doesn't support and pay attention to the internal audit report that are disclosed based on the directives schedule. In general, the result shows the study found out that, some of top management takes corrective action on the internal auditor's findings and some doesn't take corrective action on the internal audit report findings Even though management make rectification on the finding it didn't base on action plan and the directives schedule, and also the internal auditors didn't establish follow up process to ensure that corrective action have been effectively implemented.

## 5.2 CONCLUSION

Finally, the study noted that, internal auditors in such public ministries are comparatively independent of their activities in terms of conducting their work without interference, deciding, on the scope, time and extent of auditing procedures based on auditing standards and the government audit policy which facilitates impartial and the problem range from; inadequate staff, not keeping full independence of internal auditors, lack of accurately qualified staff with related experience, management neglect the internal auditor judgments and recommendations and did not develop and maintain a quality assurance programs that covers all aspects of the internal audit activity even though the standard of the professional practice of internal auditing obliges to do so .The study had disclosed that managements does not take corrective actions, on the recommendations of the internal audit findings which are today's critical challenge in such budgetary public ministries. On the other hand, the required and relevant qualification of an internal auditor is one of the unquestionable facts which make an auditor professionally independent and competent and also internal auditing is very important in every organization. The internal audit is explained above; thought effective, still have problems which have established to unsatisfactory performance level as expected of a standard IA and audit finding follow up of the internal auditors. They didn't establish follow up process to ensure that corrective action have been effectively implemented, and internal audit recommendations doesn't get enough management attention and support which adversely affect the effectiveness of internal audit.

Generally the study concludes that all the research variables regarding organizational independence, management support, staff competency and audit finding follow up in the selected administration and general service sectors of federal public bodies are at an average level which indicates that there is an encouraging and good opportunity for the internal auditors to deliver their audit responsibilities.

### 5.3 RECOMMENDATION

After observing the research findings and achieved results with regard to the main objective of this study to identify the major determinants of IAE in the public bodies and also to prove the researcher provides the following recommendations are suggested to public budgetary institution, Internal auditors should be free their activities without interference, deciding, on the scope, time and extent of auditing procedures with auditing standards and the government audit policy facilitates done by Ministry of Finance.

Internal auditors should be following up on the internal and external audit findings for corrective actions to be taken by the managements. And in the same way action plan should be established by the management before response taken in the audit finding.

The finding of this research proved that the management support, the existence of adequate and competent IA staff, and the availability of approved IA charter were statistically significant and positively related with the IAE in the public bodies. Thus, the public sector office ministry of finance should support more for the internal audit functions by facilitating the IA works, should recruited more adequate and competent IA staff and give sufficient training and professional certification for the existing IA staffs, and should maintain the approved IA charter and workable manuals for their office because it directs the overall activities of the internal auditors in line with IIA standards and the office policies and guidelines All Internal Auditors should undertake a program of continuous professional development to maintain and develop their skills and knowledge. Although internal auditors competence will bring higher audit quality MOF should focus in enhancing the competence of their staff by giving sufficient training especially for newly recruited before the beginning audit work.

In the case of management support although it is promising as shown in the survey result, strong Co-operative relationships with management enhance the ability of internal audit to achieve its objectives effectively. And its strategy, planning and delivery should aim in maximizing the value added for management without jeopardizing internal audit's responsibilities to the management.

## **5.4 LIMITATIONS OF THE RESEARCH**

Throughout this research, there were some unavoidable and unfixable issues. This research is done in ten budgetary institutions to show the effectiveness of internal auditors and is conducted on the audit department and it interviews six auditors only. Thus, this research will not be able to show the whole public organization.

The results of this research are biased as the all of the interviewees were internal auditors.

## **5.5 Suggestions for Future Research**

From this study, the following directions are proposed for future research in Internal Audit: First, this study focused on the 10 budgetary public organizations and therefore, generalizations cannot adequately extend to other public organizations. Future research should therefore focus on all public bodies in Ethiopia. A broad based study on role of Internal Audit organizational performance in both private and public organizations should also be carried out.

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10.7763/IPEDR. 2014. V70. 24) Factors that Contribute to the Effec-  
tiveness of Internal Audit in Public Sector

## **Appendixes**

### **Annex -1**

#### **Questionnaire to be filed by Top management ,the head of internal auditors, head of finance dept. and senior experts.**

Dear respondents this questionnaire is made to collect data on factor influence internal audit effectiveness to performing audit function. The data to be collected through the questionnaire is highly valuable to meets the objectives of this study. Therefore, you are kindly requested to fill in and return the questionnaire. The information you supply would be used for academic purpose only and will be kept confidential.

Thank you in advance,

#### **I. General information**

The following questions concern about your personal information. Completion of this information is voluntary and its confidentiality is assured.

Name of the public body \_\_\_\_\_

Department \_\_\_\_\_

Indicate your answer by circling on the option provided below.

Your sex,                   A/ Male   B/ Female

Your age,                   A/ under 30   B/ 30-45   C/ 45-60

Qualifications,       A/ diploma   B/ BA degree   C/ MA/ MSC degree   D/ PhD

Profession of your education,   A/ Accounting   B/ Business management   C/ Economics  
D/ Statistics   E/ others \_\_\_\_\_

Experience as internal auditors,   A/ 1-3 years       B/ b/n 3-5 year   C/ b/n 5-10 years   D/  
b/n 10-20 years   E/ above 20years

**II. Questions regarding the major challenge that internal auditors faces in each level of audit procedures.**

Statements of Independency, competency and management support. Put a tick (X) on the extent to which you find the statement is 1, strongly disagree 2, and disagree 3Neutral,4 agree 5, and strongly agree

No	Activities	SD	D	N	A	SA
<b>Organizational independence</b>						
1	The IA operates totally independently, and conducts their work without interference.					
2	The IA decides seriously on the scope, time and extent of auditing procedures based on auditing standards and the government audit policy.					
3	Independence is the fundamental of effective auditing among other factors in particular					
4	All IA members feel free to include any audit finding in their audit work and report directly to responsible body					
5	IA can freely access any necessary documents, information and data about the Process under investigation and hence always accepted					
6	After the internal auditors administratively accountable to the ministry of finance organizational independence is fully assured.					
<b>Adequate and competent Internal Audit Staff</b>						
7	The purpose and authority of internal audit is clearly defined in charter					
8	The IA charter specifies authorized access to records, personnel, and physical properties relevant to the performance of audit engagements					
9	Internal audit lack communication skill with the audited to get information.					
10	The existing internal audit staff number and their skill are outstanding and match the scope of internal audit operations and have achieved the organization goal set for the IA					
11	Internal auditors do not have full competency skill to evaluating over all organization operation evidence					

12	The minimum level of skill, knowledge and experience required by internal auditors and the head of internal audit is not fulfilled.					
13	Internal auditor's department organized sufficient experience to understand the organizations systems.					
14	Internal auditors get continuous training to upgrade their professional skills.					
15	The internal auditors establish follow up technique to ensure that corrective action have been effectively implemented					
<b>The Management Support</b>						
16	Finance department doesn't submits monthly Financial report , auditable document and audit query response on time to internal auditors for audit engagement					
17	The top management support /checked/follow up Internal audit report disclosed based on the directives scheduled					
18	Management support the internal audit in performing their audit work					
19	The top management takes corrective action on the internal auditors findings based on the internal audit guidelines.					
20	The internal audit team has direct support and assistance from the top management					
21	The internal audit team members has direct support and assistance from department head and team leader					
22	Top management believes that internal audit are art of the internal control of the organization to achieve its goal and objectives					
23	Management does not provide enough support and encouragement for training and developing the IA staff					
<b>Follow up</b>						
24	The internal auditors establish follow up process to ensure that corrective action have been effectively implemented					
25	Management set action plan to take corrective action on the audit finding					
26	Management does not take corrective action on the reported internal audit findings					

## **Annex 2**

### **ADDIS ABABA UNIVERSITY**

#### **COLLEGE OF BUSINESS AND ECONOMICS**

##### **MASTERS OF SCIENCE (MSC) IN ACCOUNTING AND AUDITING**

1. The personal interview question request conduct with internal audit directorate, senior internal audit and directorate ministry of finance review of internal audit independence, competence and management support.
2. General Guideline These interview question are prepared for selected the personal interview 8 question request conduct with 3 junior internal audit and 3 senior internal audit from budgetary institution of ministry of finance federal attorney and federal supreme court as participate the interview. The information you supply would be used for academic purpose only and will be kept confidential.
3. Thank you in advance

## INTERVIEW QUESTIONS

4. Is internal auditing sufficiently resourced to provide objective assurance on risk and control?
5. Do internal auditors get any cooperation from audittee? Like finance, procurement & property administration, HR department etc
6. To what extent management and other organs support, and understand the role of internal audit function?
7. Are you free from intervention in performing your duties?
8. What is the basic scope limitation in performing audit function in your organ?
9. Is internal audit department in your organization is competent enough to successfully carry out its duties?
10. Is there reporting follow-up and quality review in auditing department in your organization? If there is, who is performing the follow-up and quality assurance? In what time period
11. What needs to be done in the future regarding internal auditors to add value in your organization and to become champions in the profession?