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Factors that affect the performance of internal auditors: The case of some selected Government Ministries in Ethiopia

By

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Addis Ababa University
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March, 2018

Statement of Declaration

I undersigned declare that this research report is my original work and has not been presented for a degree in any other university, and all the materials used for this study have been duly acknowledged.

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This is to certify that the project paper prepared by MeskeremGetahun, entitled “Factors that affect the performance of internal auditors: The case of some selected government ministries in Ethiopia” and submitted in partial fulfillment of the requirements for the degree of Master of Science in Accounting and Auditing complies with the regulations of the University and meets the accepted standards with respect to originality and quality.

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ABSTRACT

The main purpose of this study was to investigate factors that affect internal auditor performance in the Ethiopian government ministries. To this end, the following basic research objectives have been set: to examine the effect of internal auditor's Competency on performance of internal auditors, to assess the effect of salary and benefit on performance of internal auditors, to examine the effect independence on performance of internal auditors, to find out how working environment influence performance of internal auditors, to assess the effect of management support on performance of internal auditors and to examine the influence of having industry specialization on performance of internal auditors. The study was descriptive in nature and data were gathered through questionnaires. The study was continued by federal government ministries. The respondent was 74 internal auditors. The sample was selected 7 government ministries by purposive sampling selection techniques from 23 government ministries. Data collected with the structured questionnaire was analysis by both descriptive and inferential statistics. The result of correlation indicated that the correlation between dependent variable and Salary and Benefits was positively correlated which is highly correlated than the other variables. This suggests that employees (internal auditors) effectiveness decreases unless they are getting enough fair salary and benefits. So, Salary and Benefits can highly positively associate with the performance of internal auditors than the other independent variables. Moreover, all the independent variables are found to be a positive correlation with dependent variables.

Keywords: *audit competence, industry Specialization, independence, internal audit, the performance of internal auditors.*

ACRONYM

ACCA Association of Chartered Certified Accountants

CIA Certified Internal Auditor

IA Internal Auditor

IFAC International Federation of Accountants

IFRS International Financial Reporting Standards

IIA Institute of Internal Auditors

ISA International Standards for Auditing

MoFEC Ministry of Finance and Economic Cooperative

MoFED Ministry of Finance and Economic Development

MS Management Support

SPSS Statistical Package for Social Science

3Es Effective, Efficient and Economical

CHAPTER ONE

INTRODUCTION TO THE STUDY

1.1 Introduction

The main purpose of this chapter is to provide general information about the thesis. The next sections of this chapter are organized as follows. The first section presents the general background information of the study, the second section sets out the statement of the problem, the third section puts the research questions, the fourth section outlines the objectives of the study, research hypothesis is presented in the fifth section, the sixth section outlines significance of the study the scope and limitations of the study and it is followed by the seventh section the scope and limitations of the study and organizations of the chapter is presented at the end section of this chapter.

1.2 Background of the Study

The government ministry offices are the key channel for a country economic development due to their commitment to a number of social and economic operations; such as in Health service, environmental safety service, Education service, Poverty reduction, water supply, irrigation and drainage development and power, transport and communication services, financial service, construction service, and other activity. These sectors involved in collecting and spending hundreds of billions birr of public money through the various ministries to achieve growth and Transformation plan of government activities. This revenue and expenditure contribute a large share of economic growth of country and demand efficient and effective financial management procedure to functioning with accountability and practicing according to rules and regulation prepared by MoFEC.

In Every country that is administered in a democratic policy needs to be accountable in its use of public money and in providing effective, efficient and economical (3e's) service delivery. To achieve those government objectives applying internal audit function were the major mechanism for controlling and using of all scarce resources available. Ever larger and complex systems require greater competitiveness, thus internal audit has had to become ever more professional (Cecilia and Gansberghe, 2003).

When effectively functioned, internal audit (IA) play an important role in monitoring and evaluating financial management activities in government sectors, thereby helping an organization achieve its objectives. In addition, it will assist government organizations to achieve accountability and integrity, improve the implementation of government programs and develop confidence among citizens and stakeholders as well as to cater any risk of mismanagement of public fund (Baharu-din et al, 2014).

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

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

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

The establishment at the time of the Addis Ababa Commercial School and the Addis Ababa University College supplied with limited but better-informed manpower, for some key institutions in the economy.

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, 2007). Generally, the history of internal auditing in Ethiopia dated back to the 1940s just about the time the profession was also evolving in Europe and in the United States.

In 1998 the Ministry of Finance issued an Operational Audit Manual to strengthen 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).

The Internal Audit Standards of Public Bodies of the Government of Ethiopia are contained in the Audit Procedural Manual issued by the MoFED. The Manual also states that the Standards reflect the Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Audit.

1.3 Statement of the problem

Internal auditors are used to significantly enhance controls to promote transparency and accountability. Internal auditors have the right and ability to access all information in every part of the organization and their function lies in every activity of the corporate governance system. All the stakeholders will, therefore, benefit from having a strong Internal Audit performance (Smet and Mention, 2011).

There have been numerous complaints on the management of public funds and government is not as effective in detecting and preventing the misappropriation of public funds. However, even after enacting laws governing internal audit processes, there is still a rise in cases of inefficiency in public resources management in Ethiopia and many reported cases of frauds and corrupt practices (Mihret & Yismaw, 2007). It is also common to see misappropriation expenditure report in most of the ministries offices in the country, especially during year-end closing. The Auditor General noted that out of 23 ministries financial reports for the fiscal year ended 30 June 2016,

seven had an adverse opinion while one had a disclaimer opinion (Auditor General, 2016). This is, therefore, suggests to the researcher that management of financial resources in the Ethiopian government ministries is still not efficient and effective. It seems that there is a gap in the performance of internal auditors.

Adel (2011) indicated that there is inadequate staffing of internal accounting and auditing departments in government and specifically the internal audit function is generally under-resourced and this affects the performance of the internal auditors. Employees want to earn reasonable salaries, as money represents the most important incentive when speaking of its influential value (Sara et al, 2004). Financial rewards have the capacity to maintain and motivate individuals towards higher performance. The researcher has tried to observe and understand internal auditors of government ministries not satisfied by their salary and benefit, high staff turnover in internal audit department and this could affect the performance of internal auditors. Therefore, the researcher is inspired to study the factors that affect the performance of internal audit in Ethiopia with special reference of federal government ministries.

1.4 Research questions

Based on the above problems, the research tried to answer the following basic research questions.

1. What are the effects of internal auditor's Competency on the performance of internal auditors?
2. What are the effects of salary and benefit on performance of internal auditors?
3. What is the effects independence on the performance of internal auditors?
4. How is the working environment influence performance of internal auditors?
5. What are the effects of management support on the performance of internal auditors?
6. What are the influences of having industry specialization on the performance of internal auditors?

1.5 Objectives of the study

1.5.1 General objectives

The study aims to examine factors that affect internal auditor's performance in Ethiopia, special reference to federal government ministries in Ethiopia.

1.5.2 Specific objectives

- To examine the effect of internal auditor's Competency on the performance of internal auditors.
- To assess the effect of salary and benefit on performance of internal auditors.
- To examine the effect independence on the performance of internal auditors.
- To find out how working environment influence performance of internal auditors.
- To assess the effect of management support on the performance of internal auditors.
- To determine the influence of having industry specialization on the performance of internal auditors.

1.6 Research hypotheses

The study was done based on the following research hypothesis which was derived from the specific objectives and tested in this study.

Ho1: There is no positive and significant effect between internal auditor Competency and the performance of internal auditors.

Ho2: There is no positive and significant effect between working environment and performance of internal auditors.

Ho3: There is no positive and significant effect between independence and performance of internal auditors.

Ho4: There is no positive and significant effect on industry specialization and performance of internal auditors.

Ho5: There is no positive and significant effect between salary & benefit and performance of internal auditors.

Ho6: There is no positive and significant effect between Management support and performance of internal auditors.

1.7 Significance of the study

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

The study, in general, is important for the following points:

- To produce useful information for the sake of internal auditors performance.
- To enhance the knowledge of the researcher in regard to internal auditors performance.
- To create awareness the role of internal auditors in government ministries in Ethiopia.
- It also important for those who are interested to make future research in this field of study.
- To enhance understanding of top-level manager, theoretical and practical aspects of internal auditor effective performance for the organization development.

1.8 Scope and limitation of the study

The finding of the research would be more fruitful if it was conducted widely by including overall the organizations Internal and External auditors' performance in Ethiopia. However, due to time, and financial constraints the researcher is forced to delimit the study only on internal auditors working in Federal government ministries in Ethiopia.

1.9 Organization of the Study

The paper was consisted with five chapters. The first chapter deals with the introduction part that consists of a background of the study, statements of the problem, objectives of the study, significances of the study, scope of the study. Chapter two contains a review of the related literature. The research design and methodology is presented in chapter three. In chapter four, the results and findings of the study are discussed. Finally, the last chapter deals with the conclusion and recommendations that are forwarded based on the result obtained.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The first chapter introduced the problem to be investigated in this study and objectives. Literatures included under this chapter are based on the relevance and relationship with the research subject matters. This chapter is organized into three sections. The first section deals with the theoretical underpinnings in connection with factors that affect internal audit performance. The second section deals with empirical studies regarding factors that affect the extant literature. The final section presents the summary and conclusion of literature review and identification of knowledge gap.

2.2 Theoretical review

2.1.1 Overview of Internal Auditing

When thinking of internal auditing many people just think of audit reports of financial statements but it is actually more than a configuration of numbers. Internal auditing has a long history and became more prominent in the early 2000's due to many prominent scandals in the business world. As a result of these scandals, Congress, the Securities and Exchange Commission and the Institution of Internal Auditing have been more active in passing standards and directions for companies to follow to prevent fraud and other possible misstatements. By establishing policy and procedures, internal auditing is designed to make the control system of a business more effective and efficient. The emergence of internal audit as a discipline is traced to the early 1940s when the Institute of Internal Auditors (IIA) was established in 1941. The first book on internal auditing, *Modern Internal Auditing*, was also published by Victor Z. Brink in 1942 (Moeller 2005).

The internal audit function has become well-recognized as one of the key governance mechanisms and that role has evolved over time. Despite its earlier role as company's 'watch-dog' for the organization, the nature of internal audit processes today has extended and typically encompasses consulting role, including risk management, control assurance, and compliance work. This is reflected by the new definition of internal auditing by the IIA (IIA, 2011) that

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

Even though the definition of internal audit may change via time, there are some difficulties encountering to understand the internal audit function and its importance in the system. Internal audit has turned from being a tool of internal control to be broader and more comprehensive than this traditional concept, and now is not only a tool to regular auditing for the effectiveness of internal control, verification of manipulation, or assist the external auditor, but its role extended to include the definition of the risks faces the company and advising senior management in this regard. To reach and obtain all the reward of the internal audit function, the other parties in the system (Management, Accountants, Audit Committee and so on) should have sufficient consideration of the audit function (Staciokas and Rupsys, 2005).

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. Internal auditing is a catalyst for improving an organization's governance, risk management, and management controls by providing insight and recommendations based on analyses and assessments of data. With a commitment to integrity and accountability, internal auditing provides value to governing bodies and senior management as an objective source of independent advice. The literature generally suggests that internal audit (IA) is expected to add value in contemporary organizations (Al-Twaijry, Brierley & Gwilliam 2003; Bou-Raad 2000; Roth 2002; Yee et al. 2008) and assist organizations to accomplish objectives (Gramling et al. 2004).

Employee performance: in the organizational context, performance is usually defined as the extent to which an organizational member contributes to achieving the goals of the organization. Employee performance is originally what an employee does or does not do. Performance of employees could include: quantity of output, quality of output, timeliness of output, presence at work, cooperativeness.. From Deadrick and Gardner's (1997) points, employee performance

could be defined as the record of outcomes achieved, for each job function, during a specified period of time. If viewed in this way, performance is represented as a distribution of outcomes achieved, and performance could be measured by using a variety of parameters which describe an employee's pattern of performance over time. Good employee performance has been linked with increased consumer perception of service quality, while poor employee performance has been linked with increased customer complaints and brand switching. To conclude, employee performance could be simply understood as the related activities expected of a worker and how well those activities were executed.

2.1.2 Objectives and scope of internal audit

A wide range of activities is being done by the internal audit department. These activities may broadly be classified as financial and operational audits. Under the former may be included: (William, 1998) A continuous review of internal accounting controls; the scrutiny of reports and statements, financial or operating, as prepared for management purposes:

- The ascertainment of the extent to which the asset of the organization are accounted for and safeguarded from losses or damages.
- The examination of balance sheet items, atest of balance and transactions as to their authenticity through appropriate tests; etc. under operational audit may be included the study and assessment of operating practices to promote increased efficiency and economy.
- The examination and ascertainment of the extent to which established policies, plans, and procedures.
- The assessment of budgetary standard setting.
- The assessment of the level of performance in successfully discharging duties and responsibilities assigned.
- The carry out to audits to determine whether operating objectives, targets, and associated control procedure are properly instituted and the degree to which the desired results are achieved.

2.1.3 Internal audit characteristics and performance

Internal auditors deal with issues that are fundamentally important to the survival and prosperity of any organization. Unlike external auditors, they look beyond financial risks and statements to consider wider issues such as the organization's reputation, growth, its impact on the environment and the way it treats its employees. In sum, internal auditors help organizations to succeed. We do this through a combination of assurance and consulting. The assurance part of our work involves telling managers and governors how well the systems and processes designed to keep the organization on track are working. Then, we offer to consult help to improve those systems and processes where necessary (Chartered Institute of internal auditors, 2012).

Internal audit characteristics are those features which project the function as effectively. These characteristics relate to skills, education, experience, professional certification, quality of internal audit work, independence, and training (Zain, Subramaniam, & Stewart, 2006). Some of these characteristics are personal to the internal auditor while others are garnered over their years of experience in auditing. For example, experience, training, and certification are acquired over time. These characteristics are dynamic, and such, are in a state of continuous improvement over the career of an internal auditor. These characteristics enable the internal audit function to add value to an organization through their unique part of governance, risk, and control. Also, these characteristics determine the extent and perception of the quality of an internal audit function (Ege, 2015; Hutchinson & Zain, 2009). A number of studies have found significant relationships between these characteristics and performance of internal audit (Arena & Azzone, 2009; Cohen & Sayag, 2010). Some have related the existence of the function and its work of continuous auditing to performance (Aikins, 2011; Carmeli & Tishler, 2004). Others have attributed the lack of these characteristics to corruption, mismanagement and general ineffectiveness of internal controls in the public sector (Emmanuel et al., 2013; Salawu & Agbeja, 2007). However, studies linking these characteristics directly to performance in the public sector are limited. Therefore, from the resource-based perspective, internal audit skills, education experience, independence, training, professional certification and the quality of audits are unique resources that contribute to improvement in the operations of an organization

2.2 Factors that affect Internal audit performance

2.2.1 Competence

Competence is defined by Jessup (1991) as "the ability to perform to recognized standards". Competency is a skill that is essential to perform a certain task. Competency can be related to the ability of an individual to perform a job or task properly based on the educational level, professional experience and the effort of the staffs for continuing professional development. A broad range of skills and expertise and ongoing professional development are crucial to the formation and maintenance of an effective internal audit activity in fighting fraud. Some of the more important competencies needed by internal auditors are in-depth knowledge of the organization's industry and internal audit Standards, and technical understanding, knowledge of implementing and improving processes in both financial and operational areas and professional certification, e.g. CIA, and ACCA. According to Harrington (2004), an expanded set of competencies is needed by internal auditors to cope with the massive change and complexity in public sector operations.

Auditors' competency determines the effective auditing of the organization. It contributes to the ability of the auditors to perform the systematic and discipline audit approach to improve the effectiveness of Internal Audit. Mihret&Yismaw (2007) concluded in their study that IA office constantly faces the problem of low technical staff proficiency and high staff turnover, which would limit its capacity to provide effective service to management. Likewise, Kida et al, (2011) found in their study that can effectively carry out their duty in the public sector if there are enough IA personnel with required competencies. Competency of auditors determines the quality of the audit work performed in an organization. Internal auditors have to own the knowledge, skills and other competencies demanded to achieve their role in fighting fraud in governmental and nongovernmental organization. As stated by IIA (2009), knowledge, skills and other competencies is a collective term that refers to the profession proficiency required of internal auditors to effectively carry out their professional responsibilities. The knowledge, skills and other competencies would enable internal auditors to plan their audit work properly, perform and communicate on a timely basis the findings and recommendations to the right people (AbuduDawuda, 2010).

The role of the internal auditors depends on their professional training and practical abilities and experience to fight against asset misappropriation and financial statement fraud in public offices. Petraşcua et al, (2014) argued that in their activities, internal auditors of government must have enough knowledge in order to identify the signs of a possible fraud; be attentive of the cases that involve a risk of fraud; and appreciate the necessity to further investigate a case, inform the responsible persons from an organization and take actions to eliminate or reduce the possibility of fraud occurrence. Further, an audit requires a professional staff that collectively has the necessary education, training, experience and professional qualifications to conduct the full range of audits required by its mandate (Al-Twajry, Brierley&Gwilliam, 2004).

2.2.2 Working Environment

Nowadays most of the organizations pay attention to employees needed. They try to provide a positive working environment so the employees will be happy and satisfied. They believe that happier the employees are, more delightful the customer will be (Mehboob and Bhutto 2012). Woodman et al, (1993) examined two work environment characteristics in organization 1) group characteristics includes norms, consistency in the group, problem-solving approaches used in the group; 2) organizational characteristics including rewards, recognition, strategy, structure, resources, organizational culture and technology. Both characteristics have the potential to encourage innovation and creativity. According to Mehboob and Bhutto (2012), the concept of work environment is comprehensive one including the physical, psychological and social aspects that mark up the working condition. Work environment involves all the aspects which act and react on the body and mind of an employee. Workplace environment plays a vital role in motivating employees to perform their assigned work (Chandrasekar, 2010). The working environment factors are: 1) Space and facilities required doing the job, 2) Relationship with superiors at the workplace, 3) Equality of treatment at the workplace, 4) Communication system at the workplace, 5) Environmental factors are conducive to work, 6) Procedures to identify and control hazards (Chandrasekar, 2010). While Wallgren (2011) stated the working environment factors are: 1) variety in tasks, 2) job autonomy, 3) praise for a job well done, 4) the chance to acquire new skills and 5) the sense of accomplishment. Mehboob and Bhutto (2012) described work environment as the environment in which people are working. Such as, it is a very wide category that incorporates the physical scenery (e.g. noise, equipment, heat), fundamentals of the

job itself (e.g. workload, task, complexity) extensive business features (e.g. culture, history) and even extra business background (e.g. industry setting, workers relation). Characteristics of work environment are 1) apparent and open communication, 2) stability of work-life, 3) impartiality, 4) consistency and predictability situation. The definition of the work environment in this research is attributed in the organization that affecting employees in finished their jobs. Work environment measures by space and facilities fair treatment at the workplace, communication climate, rules and procedures at the workplace.

2.2.3 Independence

Prior literature deals more with independence in external auditor's aspect (Cohen & Sayag, 2010). But nowadays, emphases are given for internal auditor's independence (Stewart & Subramaniam, 2010). Independence is the cornerstone of internal audit effective performance because; effective performance of internal audit cannot be realized without the independence of internal audit department (Vanasco, et al., 1996; Cohen & Sayag, 2010). Therefore, the position of internal audit in an organization is bounded; it is a corporate unit that should have a large degree of autonomy and independence in order to perform its activities in a proper manner (Arena & Azzone, 2009). Independence to this aspect means that independence in mind and independence in appearance (Stewart & Subramaniam, 2010). Independence can be explained as follows in respect of Abu-Azza, (2012) the concept of independence is generally used to mean the ability of the auditor to be fair and objective in his/her review and appraisal and not to be under undue pressure from any party to the extent that this could bias his/her opinion.

Similarly, Institute of Internal Auditors (IIA) 1100 independence standard states about independence as 'internal audit activity should be independent in performing their work' (IIA, 2011). According to IIA (2011) was stated independence as it is the freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner.

In essence, two factors might influence the independence of IA. Firstly, the organizational independence of IA functions and secondly, the individual independence of internal auditors (Goodwin-Stewart & Yeo, 2001). Organizational independence can be explained as the relationship between the internal audit activity and the audit committee. Whereas, individual

independence of internal auditors is all about individual staffs in internal audit department independence and objectivity with look upon the use of internal audit activity as a ground for top management level (Goodwin-Stewart & Yeo, 2001). To this view, organizational independence can be fulfilled through reporting IA activities to higher bodies in the organization. While, individual independence can be fulfilled through staffs impartiality, unbiased ness, and avoiding of conflict of interests (IIA, 2001).

The Institute of Internal Auditors has issued a number of attribute standards (IIA, 2011) and associated practice advisories (IIA, 2009) relating to independence. To this stand, attribute standard 1130 states ‘the need to adequately disclose to appropriate parties any impairment to independence’. Impairment in such a term deals about the assessing of organizational activities all over again until at least one year beyond; personal conflicts of interests; scope and resource limitations; and restrictions on access to information, personnel, and property. Attribute standard 1110 states that Institute of Internal Auditors department must communicate directly with the board of the corporate firm (IIA, 2011; KPMG, 2003). According to the standard, the Internal Auditors department director confirms the organizational independence of Internal Auditors department at least once in a year in corporate organizations. Therefore, to whom Internal Auditors department report its activity has a significant effect on the independence of Internal Audit and consequently effectiveness of Internal Audit.

2.2.4 Industry specialization

The relation between auditor performance and auditor industry expertise or specialization has been extensively examined in prior research. Maletta and Wright(1996) observed that there are fundamental differences in characteristics of errors and methods of error detection across industries and thus, auditors who have industry specific expertise are better equipped to detect errors or abnormalities than those auditors without such expertise. For example, Wright and Wright (1997) found that significant experience in the retailing industry contributes to increased detection of errors of clients in the retail industry. Solomon et al, (1999) found that auditors who are specialists exhibit greater knowledge of non-error frequency relative to the non-specialists.

The significance of this finding is that clients tend to propose non-error explanations for fluctuations in ratios and therefore, accurate knowledge of non-error frequency is vital in

detecting misstatements in financial statements. Prior research also documents other benefits of auditor's industry specialization. Carcello and Nagy (2004) found that auditors industry expertise mitigates financial fraud.

2.2.5 Salary and benefit

Salary can be defined as a fixed amount of money paid to a worker usually measured at monthly and annual basis the different study shows that salary is the more efficient variable, which means that job performance of employees can be increased to a sufficient level by bringing a small increase in salary.

Wages and salaries must maintain equity, competitiveness, matching employee expectations, reinforcing positive employee behavior and eliminating any discrepancies. Other purpose of wages and salaries include devising a system that is most efficient, organization of management and employee interest as well as maintaining good industrial relations and harmony. If all these are achieved in an organization, definitely, the employees will be seriously motivated and put in more effort into their work.

Wages and salaries to be paid by organizations must be able to attract talented human resources, serves as legal requirements, help to retain and finally motivate employees on their job which will increase individual output and invariably, enhanced the organizational performance.

Essien (2002) went further to describe job satisfaction as "a result of employees' perception of how well their job provides those things, which are viewed as being important to them". Now, what are more important to an average employee than meeting his/her financial obligation? Absolutely nothing except money! Money answered all things! Muo (2013) opined that "right from the days of Taylor and his scientific management mentality, money has always been seen as the greatest motivator for workers. Of course, this has to be so in a situation where money is the only means to acquire whatever one wanted/wants. The motivational value of money is invariably high in African countries because of the circumstances like mass poverty, lack of basic amenities which turns everyone into his own municipal government".

Opashl&Dunnette, (1966) highlight the motivational roles of money as follows: "Money is a Generalized Conditional Reinforcer because it is usually paired with primary rein forcers; a

Conditioned Incentive because the repeated pairing of money with primary incentives establishes a new learned drive for money; an Anxiety Reducer because people become anxious in the absence of money. The study revealed that there is much relationship between adequate compensation and motivation. This was to buttress the postulation of Locke (1976) that compensation can be adequate when it satisfies the economic, psychological, growth and motivational needs of workers. Such compensation Locke concluded that it can help to retain satisfactory employees and at the long run complement the effort, loyalty, experience and achievement of such worker. The study also conforms to Essien (2002) and Opashl and Dunnette (1966) that employees are motivated when their job can provide those things which are viewed as being important to them.

Different studies show that there will be low performance of employees when compensation is inadequate, and subsequently, the morale or rather the individual worker will not be motivated to put in their best. This will invariably affect the organizational performance as it is 'garbage in, garbage out'. Once the employees' performances are low the organizational performance will be low, too. This finding was in line with Agburu (2012) when he declared that wages and salaries should not only be adequate but they must also show some element of equity. This finding, again, is a pointer to Sule (2012) that workers that are not well motivated must leave the job for another, that is talking about labour turnover rate which resulted from inadequate compensation and unhappiness at work.

2.2.6 Management Support

Internal auditors have 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 good performance. 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 performance.

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

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

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

2.3 Empirical review

In the following paragraphs I would like to show the empirical studies on factors that affect performance of internal auditor. Kirima.N,(2016) researched on factors affectingthe Performance of the Internal Audit Function in Government Ministries in Kenya the study found out that the internal auditors working environment impacted on the performance of internal audit function and the function's performance is impacted by the presence of a clear structure of responsibility linked to set targets, flexibility in the approach of the internal audit work, better exposure of internal audit staff through attendance of professional conferences and exchange programs, professional training support and a clear recognition and reward system. The study also revealed that internal audit independence and authority impacts on performance and concluded that performance is enhanced by there being a clear policy on the establishment of the internal audit

function which protects the internal auditors from undue pressure of reprisals when they report, ensures that internal auditors do not audit operations they were involved in implementation, requires the presence of a clearly structured recruitment processes where the Chief Internal Auditor is fully involved and the internal auditors having unrestricted access to records and transactions and to those charged with governance. The study concluded that internal auditor's technical competence impacts on the performance of the function and the audit staff needs to have competence in risk profiling, performance measurement principles, financial analysis tools and techniques.

Adeyemiet al, (2012) researched on factors affecting audit quality in Nigeria. By using both primary data through questionnaires and secondary data sampled company's financial reports they concluded that provision of non-audit service would likely have a significant effect on the audit quality in Nigeria; the length of audit tenure does not necessarily enhance audit quality in Nigeria; multiple directorship (the number of director positions held by audit committee members) of audit committee members is a significant factor in explaining audit quality in Nigeria; financial literacy of audit committee members is not a significant factor in explaining audit quality in Nigeria; and there is a subsisting significant relationship between audit committee members' independence and audit quality in Nigeria. Among the independent variables the most significant determinant of audit quality in Nigeria is multiple directorships of audit committee members.

Halim et al, (2014) studied the effect of audit competence and audit independence on audit quality by also adding audit time budget and professional commitment as a moderate variable. They used a primary data from public accountants in Indonesia. They found out that audit quality will increase with the higher audit competence and higher auditor's independence. They also found out that smaller audit time budget, the greater effect of auditor's competence on audit quality. This is in line with resilience theory of (Grotberg, 1995) that indicate that respondent's ability to confront and overcome audit time budget pressure at thriving level indicated that individuals are not only able to return to function before and when there is pressure, but resilient individuals would be able to confront and cope with stressful and challenging conditions, by bringing new capabilities that make individuals better. They also concluded that strong

commitment has a positive effect on both auditors competence and auditors independence that both have a positive significance on audit quality.

Hosseinniakaniet al, (2014) reviews audit quality factors from various researches on audit quality concepts and audit quality criteria. The results of their study shows that among audit quality determinants large size auditors, industry specialization by auditors, audit reputation and audit fee have a positive effect on audit quality. More audit fee is charged by auditors with large size, auditors that have reputation and auditors with industry specialization which have a positive effect on audit quality.

Desalegn (2010) in his paper entitled “Antecedents and organizational performance implications of internal audit effectiveness: some propositions and research agenda” synthesized relevant theoretical and empirical literature on organizational performance implications of internal audit effectiveness. The review had argued that Internal Audit effectiveness is influenced by the dynamics prevailing in an Internal Audit setting. He also argued that IA is aimed to assist organizations to achieve objectives and the positive association between internal audit’s level of compliance with the standards for professional practice of internal auditing and organizational performance could serve as an additional approach to assess IA effectiveness.

Mihret and Yismaw(2007)in their paper, “Internal audit effectiveness: an Ethiopian public sector case study”, aimed at identifying factors impacting the effectiveness of internal audit services stated that Internal audit effectiveness is arguably a result of the interplay among four factors: internal audit quality; management support;organizational setting; and attributes of the audited. The study investigated the internal auditservice of large public sector higher educational Institutions using a model developed from the above mentioned four factors. The end result of the research highlighted that internal audit effectiveness is strongly influenced by internal audit quality and management support, whereas organizational setting and auditee attributes do not have a strong impact on audit effectiveness.The study had also shown that internal audit of the organization studied needs improvement inthe areas of audit planning, documentation of audit work, audit communications and follow-upof recommendations. The paper recommended that audit effectiveness could be enhanced by ensuring consistency in documenting audit work to enable improved review of audit work; proper follow-up of the status of audit findings and

recommendations; increased distribution of audit reports; and further improvement in the quality of reporting. (Mihret, 2007)

Hawa(2016) researched on factors that affect the effectiveness of internal audit in Oromia Special Zone Surrounding Finfinne Administration Finance and Economic Development office, Ethiopia. A cross-sectional design is employed for a data collection and analysis purpose. The sample was selected by purposive sampling selection techniques. Findings indicate that the four factors such as: independence, management support, competence and organization setting do have an impact on the effectiveness of internal audit.

Mulugeta(2008) conducted a research on “Internal Audit: Reporting Relationship in Ethiopian Public Enterprises” with objectives of analyzing the reporting line of internal audit and investigate its relationship with internal audit scope, independency, good governance and audit committee. He conducted the survey study on selected Ethiopian public enterprises and recommended possible ways to cope up with the problems identified in the research so as to promote the good image of internal audit profession. The results of the survey showed that the functional reporting lines in practice were not always organized according to the theoretical assumptions, particularly in ETC (i.e. at Zonal and regional level) and Zequala steel rolling Factory; internal audit has been seen as outside the management structure (outsider) and board members are ministers who have several other responsibilities so that they do not have sufficient time to deal with the oversight of the internal audit function; the Ethiopian public enterprises internal audit scope is more limited on the verification of financial transaction (Financial audit), compliance audit, assessments of internal control, and fraud investigation. The researcher finalized his study by recommending corrective actions to address the weaknesses identified (Mulugeta, 2008)

Even though, the aforementioned, empirical reviews try to point to out their finding as per their study area, it doesn't necessarily mean that the finding of their country necessarily applies for another country, this is because each nation has their own culture, economic background, political environment and other considerations that need to be taken into account. In general from the above empirical studies there is a limitation on research conducted on factors that affect internal audit performance. Some researchers advocated further research and the need for a more comprehensive study on the issue of factors that affect internal audit performance.

This chapter explores review the literature by various writers on the research objectives. The main objective is to establish the factors that affect the performance of internal auditors' in Ethiopian government ministries. The next chapter discusses on the research methodology, it focuses on the population; describes the data collection instruments and methods used. It also gives details of the research procedures and the data presentation method was used.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the processes and techniques used in carrying out the study. It also gives a description of the respondents including information on the study population, the number of respondents and how they were selected. It also provides an outline of research design and the instruments for data collection. The methods adopted in the administration of the research instrument, data collection procedure, data analysis and measures used to ensure the validity of the instrument used.

3.2 Research Design

The general objective of this study is to examine the factors that affect the performance internal audit in a federal government ministry in Ethiopia. This study adopted a quantitative research approach by using a primary data source. The quantitative approach uses statistical methods in describing patterns of behavior and generalizing findings from samples to the population of interest and employs strategies of inquiry such as experiments and surveys (Creswell 2003).

In order to answer the statement of the problem and meet the research objectives, the design of the study is descriptive. Descriptive research studies are those studies which are concerned with describing the characteristics of a particular individual, or of a group. The main characteristic of this method is that the researcher has no control over the variables; he/she can only report what has happened or what is happening (Kothari, 2004). The study used the structured questionnaire as the primary data collection instrument to gather information.

3.3 Data source

The study used both primary and secondary source of data and information. The primary sources of data relied on the ministry internal auditors and conducted through questionnaires. Secondary sources are also intensively used which includes: books, journals, research literature and websites on the issues of factors that affect the performance of internal auditors.

3.3 Population and Sampling

In research methods, the population is the entire aggregation of items from which samples can be

drawn. In this study, the target population is comprised of internal auditors of federal government ministries in Ethiopia. The table below shows a list of government ministries in Ethiopia.

Table 3.1: Federal Governments' Ministries

No	Ministry
1	Ministry of Transport
2	Ministry of Women and Children Affairs
3	Ministry of Labor and Social Affairs
4	Ministry of Environment, Forest and Climate Change
5	Ministry of Culture and Tourism
6	Ministry of Mines, Oil and Natural Gas
7	Ministry of Public Enterprises
8	Ministry Of Federal and Pastoral Development Affairs
9	Ministry of Trade
10	Ministry of Public Service and Human Development
11	Ministry of Livestock and Fishery Resource
12	Office of the Prime Minister
13	Ministry of Communication and Information Technology
14	Ministry of Science and Technology
15	Ministry of Finance and Economic Cooperation
16	Ministry of Health
17	Ministry of Youth and Sport
18	Ministry of Urban Development and Housing
19	Ministry Of Foreign Affairs
20	Ministry of Agriculture and Natural Resource
21	Ministry of Education
22	Ministry of Water, Irrigation and Electricity
23	Ministry of National Defense

Source: MoFED budget report, 2016/17

3.4 Sample Design and Size

A population is a group of individuals who have one or more characteristics in common as defined by Kothari (2000). The targeted populations in this study will internal auditors in federal government ministries in Ethiopia. Total 23 Federal government ministries are found in Ethiopia.

Out of 23 ministries, the researcher has purposively selected Seven Federal governments' ministries based on top allocated annual budget. The reason of this the researcher was believed that high amount of birr budgeted organizations will have alarge number of the transaction. Thus, it might be required critical auditing activities due to thehigh volume of transactions.

Table 3.2: Selected Federal Governments' Ministries

No	Federal Government Ministries	No of auditors on the job
1	Ministry of Youth and Sport	4
2	Ministry of Urban Development and Housing	6
3	Ministry Of Foreign Affairs	10
4	Ministry of Agriculture and Natural Resource	7
5	Ministry of Education	6
6	Ministry of Water, Irrigation and Electricity	3
7	Ministry of National Defense	38
	Total	74

Source: MoFEd budget report, 2016/17

Concerning sample size, the researcher attempted to find out the reasonable number that is considered as the true representative of that particular research on Ministries in Ethiopia. For this reason, it is essential to obtain an appropriate sample size that will generate sufficient data .Due to the number of auditors that are currently working in the selected ministries the researcher was used all number of auditors as a census study. Therefore, a total number of respondents that was used in this particular study are 74.

3.5 Reliability and validity of the study

According to Pallant (2004) state, that reliability is an assessment of the degree of consistency between multiple measurements of a variable. Cronbach's alpha was used to assess the internal consistency of the entire scale. If reliability scores greater than 0.70 are acceptable (Pallant, 2004). Therefore, all of the items will be test internal consistency using an alpha as the standard guideline of 0.70.

Validation also was doing so as to ensure if instruments to be used in collecting data enabled to

collect the information needed. The study is valid if its measurements actually measure what they claim to and if there are no logical errors in drawing conclusions from the data (Garson, 2002). Therefore, different steps were taken to ensure the validity of the study. The theories that have been selected for the study was clearly described and research questions were formulated based on the previous theories.

3.6 Data gathering instrument and Data Organization

In order to gather the primary data, the research predominantly used questionnaire. It designed in mainly closed-ended items for auditors. The questionnaires have two major parts general questions and auditor satisfaction measurement questions. Depending on the type of questions, the statements were placed on a 5-point Likert-type scale (1 for Strongly Disagree and 5 for Strongly Agree). Likert Scale is a rating scale used for measuring the strength of respondent agreement with a clear statement on five-point ratings. Performance of Internal auditors was measure in this research using Likert scaling technique that requires the respondents to indicate a degree of agreement or disagreement with each of a serious of statements about the stimulus objects (Malhotra, 1996).

Data entry was started after the actual data collection, manual editing and coding were completed. The data was entered into the computer using the Statistical Package for Social Sciences (SPSS) version 20 software. Once the process of data entry is accomplished, cleaning of the data started. Data cleaning and editing are focuses on checking whether the assigned value for each case is legitimate, and on the logical consistency and structure of cases.

3.7 Methods of Data Analysis and Presentation

The responses obtained from the questionnaire were analyzed by descriptive (Mean and percentage) and inferential statistical techniques (Correlation and Multiple regression analysis). Moreover, regression method was used to test the hypotheses. In so doing, the collected data is coded, edited, and sequenced. All the close-ended questions of the questionnaire including the preliminary data were entered into the Statistical Package for Social Sciences (SPSS) computer Program, quantitatively analyzed, and interpreted. Finally, major findings and conclusions will draw. Then, based on the peculiarities of the findings, some recommendations have been given.

3.8 Variables

This study was investigating factors that affect the performance of internal auditors with dependent and independent variables. Performance of internal auditors is the dependent variable of this study to see the effect of independent variables. And the researcher used Competency, Working Environment, independence, industry specialization, salary and benefit and management support as independent variables those are expected to explain changes in the value of the dependent variables.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter covers the presentation, analysis, and interpretation of data collected from primary sources. A total of 74 questionnaires were distributed to internal auditors of a federal government ministry. Out of the questionnaires distributed 68 usable responses were obtained. This response is sufficient (92 percent) and this figure is usually recommended in research to be used for analysis (Rea and Parker, 1997). This chapter includes three sections of the analysis.

4.2 Reliability Study

To ensure internal consistency among the items included in each of the scales, Cronbach's coefficient alpha is estimated. Higher Alpha coefficients indicate higher scale reliability. Specifically, (George & Mallery 2003) suggested that scales with 0.70 Alpha coefficients and above are considered acceptable.

Table 4.1: Reliability Test (Cronbach's Alpha)

Code	Items	Cronbach's Alpha
Competency		
COM1.1	internal auditors possess the appropriate knowledge to audit an organization	.824
COM1.2	There is required knowledge of financial analysis tools and techniques	.829
COM1.3	There is proper understanding of how higher-level objectives link with organization's operational objectives	.839
COM1.4	Internal auditors are proficient in forensic skills/fraud awareness	.817
COM1.5	Internal auditors are proficient in problem-solving techniques and use of tools	.838
COM1.6	Internal auditors are proficient in data collection and analysis tools and techniques	.832
COM1.7	Internal auditors are proficient in controlling mechanism identification	.823
COM1.8	Internal auditors are proficient in techniques on Computer-assisted internal auditing system	.826
Working Environment		
WOE2.1	Internal auditors are provided with formal audit training courses	.824
WOE2.2	The internal auditors are recognized at annual professional audit conference and given diplomas, awards, etc.	.823
WOE2.3	The organization has future training plans for each internal audit staff	.824
WOE2.4	There are participating travel opportunities to conferences, audit work,	.824

	training, etc.	
WOE2.5	The audit committee has well laid out plans for managing major risks identified by internal auditors.	.824
WOE2.6	The job description, segregation of duties, authority, coordination, and accountability are clearly defined.	.828
WOE2.7	There are work experience exchange programs participation (e.g. with the auditor general)	.826
WOE2.8	The internal auditors are praised and their role recognized in audit publications	.822
Independence		
IND3.1	Internal audit is free from intervention in performing its duties and it increases performance	.812
IND3.2	Internal Auditor has free and unrestricted access to all operations, personnel, assets and transaction records	.812
IND3.3	During recruitment of internal audit staff, the top managers are fully involved in the process	.822
IND3.4	Internal auditor reports to top management and to those charged with governance	.826
IND3.5	Legislation and the audit charter defines clearly and formally the roles and authorities of an internal auditor	.832
IND3.6	The protection of internal auditor independence and authority is adequate	.817
Industry Specialization		
SPE4.1	I have the required skills in the Industry specialization	.822
SPE4.2	I am familiar with the Industry duties and objectives	.817
SPE4.3	I get continues training to enhance my knowledge about industry	.835
SPE4.4	Internal auditors possess sufficient experience to understand the organization's systems	.847
SPE4.5	I will get the right information about the core process of the organization at the time of auditing	.833
SPE4.6	I did not get challenge regarding with core process of the organization at the time of investigation	.845
Salary and Benefits		
SAL5.1	I feel my salary and benefits are equivalent to my contributions	.826
SAL5.2	I'm satisfied with the Industry periodical salary increments and benefits	.826
SAL5.3	I'm satisfied with my salary and benefits	.830
SAL5.4	Internal auditors are adequately graded and remunerated according to their roles and responsibilities	.840
SAL5.5	I feel my organization salary scale is equivalent to other similar organizations	.826
SAL5.6	There are special benefits for unique contribution for the institutes	.832
Management Support		
MAN6.1	There are regular discussions between the internal auditors across the year	.828
MAN6.2	There is constant monitoring of the audit plan	.815
MAN6.3	Internal auditors are getting the required support from top Managers	.830
MAN6.4	The internal audit operations are positioned strategically in a bid obtain cooperation from management within the institutions	.840
MAN6.5	The internal audit operations are positioned strategically in a bid obtain cooperation from staff within the institutions	.844
MAN6.6	I can get enough information about the area of auditing departments	.815

Overall performance of Internal Auditors		
OVER7.1	On the overall, I am satisfied with the performance of Internal Auditors	.820

Source: Primary survey data, 2017

As shown in table 4.1 for the reliability test Cronbach's Alpha coefficients for the performance of internal auditors' factors range from 0.812(the lowest) to 0.847 (the highest). And the overall Cronbach's Alpha coefficient for expected-scale items is 0.842. Based on the examination of the research scales and constructs, it can be concluded that each variable represents a reliable and valid construct.

The analysis also considered the statistics of 'alpha if item deleted' which implies the increase of total Cronbach alpha coefficient if the corresponding item is excluded from the construct for rest of the scale. However, not found to be useful as deletion of any of the items was not found to be contributing to improving scale reliability.

4.3 Analysis for questionnaires

It has three main sections. The first section discussed the general information with descriptive statistics. In the second section, the data were presented and analyzed opinion of respondents on the performance of auditors with descriptive analysis and the third section was determined major factors affecting the performance of internal auditing.

Section I: Characteristics of the respondents

4.3.1 Age of the respondents

Age of the respondents is one of the most important characteristics in understanding their views about the particular problems. Age indicates the level of maturity of a person in that sense age becomes more important to examine the response.

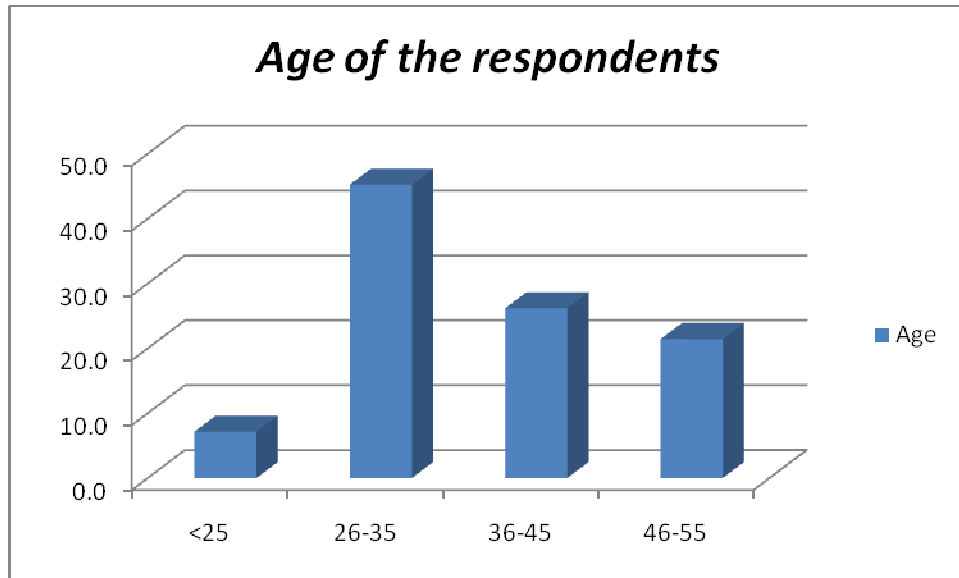


Figure 4.1: Respondents Age distribution

Source: Survey data, 2017

As far as concerning Age of the respondents, figure 4.1 shows that the age characteristic was classified into five groups. A cursory glance at the data from the sampled population on the performance of internal auditors by age, from government ministries, suggests that the auditors not yet found the age above 55 which on the elder age group. The majority of the respondents were found between the age group between 26 – 35 was found nearly to half. The next higher age group 36 -45, 46 – 55 and below 25 was found 26.2%, 21.2%,and 7.1 % respectively.It implies that majority of theage group of the auditors were found in youth and middle age groups.

4.3.2 Sex of the respondents

Sex is an important variable in a given the social situation which is variably affected by any social or economic phenomenon and globalization is not an exception to it. Hence, the variable gender was investigated in this study. Data related to thegender of the respondents is presented in Figure4.2.

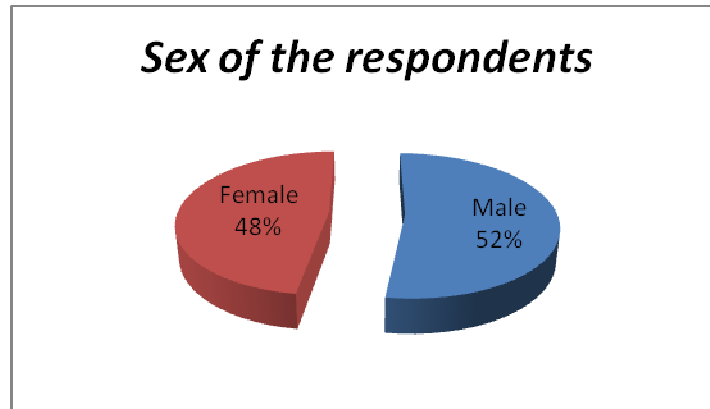


Figure 4.2: Respondents Gender distribution

Source: Survey data, 2017

Pertaining to respondents' of sex categories in figure4.2, it was observed that from the respondents, the percentage of male auditors involved in internal auditing job is higher than that of females. It indicates that in the sampled ministry offices, Males are dominated by auditing jobs than Females.

4.3.3Income of the respondents

Income is the consumption and savings opportunity gained by a business entity within a definite period, which plays an important role in shaping the economic conditions of a person that in turn is likely to have a bearing on the responses about a problem posed to the person. For the objectives of this study, the respondents' income was classified as less than 4500, between 4501 to 6500, between 6501 to 8500 and above 8500. Hence, the researcher investigated Income of the respondents as a variable and the data relating to income of the respondents is presented in Figure 4.3.

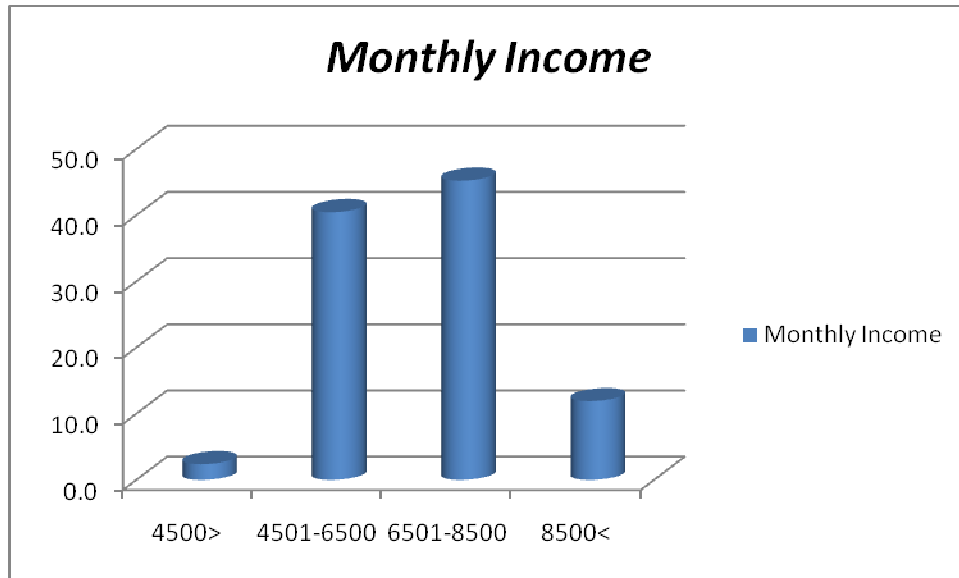


Figure 4.3: Respondents Monthly Income distribution

Source: Survey data, 2017

It is evident from the figure 4.3 that more than half of respondent's salary was found between 6501 to 8500 and next high number of respondents' salary was found between 4501 to 6500, which is 45.2 percent and 40.5 percent respectively. It implies that the auditors' salary of the respondents is small in Ethiopian government ministry.

4.3.4 Educational Level

Education is one of the most important characteristics that might affect the person's feelings and the way of observing and understanding any particular social occurrences. On top of that, the response of an individual is likely to be determined by the individuals' educational status and therefore it becomes significant to know the educational background of the respondents. Hence, the data relating to education was presented in Figure 4.4.

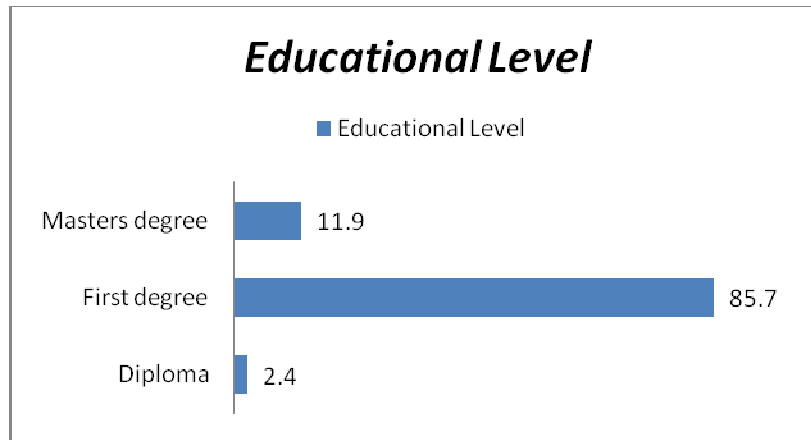


Figure 4.4: Respondents Educational level’s distribution

Source: Survey data, 2017

The educational level of the respondents (auditors) considered as vital to depict clear understanding of new concepts and knowledge of Internal auditing job. Auditor with higher educational level are considered important in auditing department. They can easily understand and use new phenomenal research and development, including innovation and technological changes in the industry. Thus, from the above figure 4.4, it can be clearly seen that more than 85% of the respondents were a first-degree holder. These show the majorities of the respondents were educated/or professional and can contribute more to the effectiveness of their intended work.

4.3.5 Work Experience of the respondents

Auditors are varied in years of experience which are classified into three categories for the purpose of this research; less than two years, between 3 to 7 years and above 8 years of work experience.



Figure 4.5: Respondents Work Experience’s Distribution

Source: Primary survey data, 2017

The above figure 4.5 result also revealed that the majority of the respondents (60%) have got a work experience of more than 7 years. Contrarily, few of the participants (7%) worked from 0 to 2 years of experience. The remaining 33% the respondents have got the experience of 3 to 7 years. Thus, it is possible to conclude that the majority of respondents were having good work experience in the fields of the stream.

Section II: Opinion of the respondents

The higher the mean score for the opinion of the respondents (more than middle value 3) implies the higher the respondents' agreement for the stated items, since the factors affecting variables suggests performance approaches to '5' point scale. This study's two extreme ends for the performance of internal auditors' opinion, '1'-strongly disagree and '5'-strongly agree. The items are stated positively. Thus, the score below '3' for the items of those factors is interpreted as less impact on the performance of internal auditors as opinions by the respondents since it directs toward disagreement, and above '3' implies agreement which becomes strong as the scale approaches '5' point and '3' point implies the respondent does not know or want to stay neutral.

4.3.6 Technical Competencies

Competency is a skill that is essential to perform a certain task. Competency can be related to the ability of an individual to perform a job or task properly based on the educational level, professional experience and the effort of the staffs for continuing professional development.

Table 4.2: Technical Competencies

Items	N	Mean
Internal auditors possess appropriate knowledge to audit an organization	68	3.79
There is required knowledge of financial analysis tools and techniques	68	2.52
There is proper understanding of how higher-level objectives link with organization's operational objectives	68	3.39
Internal auditors are proficient in forensic skills/fraud awareness	68	2.57
Internal auditors are proficient in problem-solving techniques and use of tools	68	3.59
Internal auditors are proficient in data collection and analysis tools and techniques	68	3.71
Internal auditors are proficient in controlling mechanism identification	68	3.93
Internal auditors are proficient in techniques on Computer-assisted internal auditing system	68	2.60
Weighted mean	68	3.26

Source: Primary data, 2017

As it is clearly indicated in table 4.2 above, the response of respondent towards technical competency on the performance of internal auditors is found to be above the average as indicated

by the weighted mean value of (3.26). This indicates that technical competency of the internal auditors was noticed by the respondents as agreement. It may suggest that majority of the respondents have been the required technical competency to performing their auditor's duties. However, there is lack of competency on few competency skills. For instance, the respondents have been gaps in computer skills and for using some financial analysis tools and techniques.

4.3.7 Working environment

Work environment involves all the aspects which act and react on the body and mind of an employee. Hence, the table 4.3 depicted that the respondent's opinion on the working environment.

Table 4.3: Working Environment

Items	N	Mean
Internal auditors are provided with formal audit training courses	68	2.76
The internal auditors are recognized at annual professional audit conference and given diplomas, awards, etc.	68	2.36
The organization has future training plans for each internal audit staff	68	2.29
There are participating travel opportunities to conferences, audit work, training, etc.	68	2.74
The audit committee has well laid out plans for managing major risks identified by internal auditors.	68	3.00
The job description, segregation of duties, authority, coordination, and accountability are clearly defined.	68	3.38
There are work experience exchange programs participation (e.g. with the auditor general)	68	2.26
The internal auditors are praised and their role recognized in audit publications	68	2.60
Weighted mean	68	2.67

Source: Primary data, 2017

The respondents' personal perceptions about working environment were disagreement to the statements of there are work experience exchange programs participation (e.g. with the auditor general)(2.26). With regards to the agreement was shown on the statements of the job description, segregation of duties, authority, coordination, and accountability are clearly defined

(3.38). However, the weighted mean values were depicted that below the average that is 2.67. It implies that majority of respondent auditors was responded as there is no conducive environment for their duties. For instance, there is inadequate formal audit training course, there is inadequate work experience exchange, that that seems to hinder to get conducive working environment.

4.3.8 Independence

Independence meant that the ability of the auditor to be fair and objective in his/her review and appraisal and not to be under undue pressure from any party to the extent that this could bias his/her opinion.

Table 4.4: Independence

Items	N	Mean
Internal audit is free from intervention in performing its duties and it increases performance	68	2.63
Internal Auditor has free and unrestricted access to all operations, personnel, assets and transaction records	68	3.35
During recruitment of internal audit staff, the top managers are fully involved in the process	68	2.17
Internal auditor reports to top management and to those charged with governance	68	2.54
Legislation and the audit charter defines clearly and formally the roles and authorities of an internal auditor	68	3.23
The protection of internal auditor independence and authority is adequate	68	3.14
Weighted mean	68	2.84

Source: Primary data, 2017

As shown in the above table 4.4 the weighted mean values of the independence values approach to disagreement (2.84). It implies that auditors are not free to from the intervention in performing its duties and they did not have a chance to recruited or select internal auditors for hiring new staff. However, they have independence on accessing to all operations, personnel, asset and transaction records and they have adequate protection from anyone attaches due to their auditor's decisions.

4.3.9 Industry Specialization

Auditors who have industry-specific expertise are better equipped to detect errors or abnormalities than those auditors without such expertise. It means that significant experience in the retailing industry contributes to increased detection of errors of clients in the retail industry.

Table 4.5: Industry Specialization

Items	N	Mean
I have the required skills in the Industry specialization	68	2.69
I am familiar with the Industry duties and objectives	68	3.05
I get continues training to enhance my knowledge about industry	68	2.12
Internal auditors possess sufficient experience to understand the organization's systems	68	2.74
I will get the right information about the core process of the organization at the time of auditing	68	3.45
I did not get challenge regarding with core process of the organization at the time of investigation	68	2.31
Weighted mean	68	2.73

Source: Primary data, 2017

Pertaining to Industry specialization the above table 4.5 shown that the response level of internal auditors' approaches to disagreement(2.73). Among the above six statements (items) respondents were agreed only two statements, which is the auditors are familiar with the industry duties and objectives and about core processing of the industry. However, it does not enough to perform quality of internal auditing duties. Respondents disagreed with the majority of statements such as auditors had fewer skills on the industry specialization and they did not get training opportunities to enhance their knowledge of industry specialization. It suggests that auditors have been getting a lot of challenges to perform internal auditing duties.

4.3.10 Salary and Benefit

Wages and benefits must maintain equity, competitiveness, matching employee expectations, reinforcing positive employee behavior and eliminating any discrepancies. Hence, all these internal auditors are achieved in an organization objective; definitely, the employees will be

seriously motivated and put in more effort into their work. Thus, below table 4.6 presented the opinion of internal auditors on salary and benefits provided by their companies.

Table 4.6: Salary and benefit

Items	N	Mean
I feel my salary and benefits are equivalent to my contributions	68	2.31
I'm satisfied with the ministry periodical salary increments and benefits	68	1.88
I'm satisfied with my salary and benefits	68	2.10
Internal auditors are adequately graded and remunerated according to their roles and responsibilities	68	1.64
I feel my organization salary scale is equivalent to other similar organizations	68	3.36
There are special benefits for unique contribution for the institutes	68	2.14
Weighted mean	68	2.24

Source: Primary data, 2017

In table 4.6 above, the weighted mean value of (2.24) of respondents' response magnifies that salary and benefits of the internal auditors relatively approach to strongly disagree. In the above statements except for the statement of 'I feel my organization salary scale is equivalent to other similar organizations' (3.36), all other statements were responded to disagreement. It shows that an internal auditor in the government ministries offices is highly dissatisfied with their salaries and benefits. Respondents were strongly dissatisfied with the statements of salary increments and benefits.

4.3.11 Management support

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 Thus below table 4.7 presented on this perspectives.

Table 4.7: Management support

Items	N	Mean
There are regular discussions between the internal auditors across the year	68	2.93
There is constant monitoring of the audit plan	68	3.38
Internal auditors are getting the required support from top Managers	68	2.17
The internal audit operations are positioned strategically in a bid obtain cooperation from management within the institutions	68	2.64
The internal audit operations are positioned strategically in a bid obtain cooperation from staff within the institutions	68	3.33
I can get enough information about the area of auditing departments	68	3.38
Weighted mean	68	2.97

Source: Primary data, 2017

As can be seen from the table 4.7, customers show their low level of agreement about Management support with the weighted mean value of (2.97). Even if management support is very important for the duties of internal auditors, the majority of respondents were responding as they did not adequately get support from the management bodies. For instance, regular discussions between management body and internal auditors are limited and they did not get adequate support from top managers. It suggests that internal auditors' performance is highly affected by the lack of the required management support.

Section III: Factors affecting the performance of Internal Auditor

4.3.12 Correlation Analysis

Correlation analysis helps define the direction of the relationship between the variables and used mainly to evaluate the magnitude (between -1 and +1) and also helps gain insight into the strength of their relationship.

Table4.8: Summary of Correlation Coefficients

		CO	WE	ID	IS	SB	MS	AP
CO	Pearson Correlation	1						
	Sig. (2-tailed)							
	N	68						
WE	Pearson Correlation	.475*	1					
	Sig. (2-tailed)	.012						
	N	68	68					
ID	Pearson Correlation	.866**	.641**	1				
	Sig. (2-tailed)	.000	.004					
	N	68	68	68				
IS	Pearson Correlation	.334*	.453**	.761**	1			
	Sig. (2-tailed)	.020	.005	.006				
	N	68	68	68	68			
SB	Pearson Correlation	.759**	.881**	.685**	.925**	1		
	Sig. (2-tailed)	.000	.000	.000	.000			
	N	68	68	68	68	68		
MS	Pearson Correlation	.874**	.712**	.314*	.904**	.819**	1	
	Sig. (2-tailed)	.000	.000	.031	.000	.000		
	N	68	68	68	68	68	68	
AP	Pearson Correlation	.624**	.832**	.816**	.724**	.872**	.844**	1
	Sig. (2-tailed)	.003	.000	.000	.000	.000	.000	
	N	68	68	68	68	68	68	68

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

Source: Primary Data, 2017

Note: CO – Competence, WE – Working Environment, ID – Independency, IS – Industry Specialization, SB – Salary and Benefits, MS – Management Support, AP –Auditor’s Performance.

The above table 4.8 shows that the simple bi-variant correlations between various variables under study. It was explained that the dependent variable (Performance of Internal Auditors) was found to be significantly ($p < 0.01$) associated positively with the independent variables (Competence, Working Environment, Independence, Industry Specialization, Salary & Benefits and Management Support). The significant association between the dependent variables and the independent variables was reported from higher to lower as follows: *Salary & Benefits (0.872)*, *Management Support (0.844)*, *Working Environment(0.832)*, *Independence (0.816)*, *Industry Specialization (0.724)* and *Competence(0.624)* correlate with significant at the 0.01.

The result of correlation indicated that the correlation between dependent variable and Salary and Benefits was positively correlated ($r=0.872$, $p<0.01$) which is highly correlated than the other variables. This suggests that employees (internal auditors) will not be effective unless they are getting enough fair salary and benefits. So, Salary and Benefits can highly positively associate with the performance of internal auditors than the other independent variables. Moreover, all the independent variables are found to be a positive correlation with dependent variables. Those correlations show that the constructs are both conceptually and empirically distinct from each other and together determine strong predictive power as a result of the present study. It may thus be assumed that the performance of internal auditors' duties as perceived by the internal auditors as subject to test the condition of multi-collinearity.

4.3.13 Multiple regression Analysis

Multiple Regressions are used to calculate that whether there is positive or negative relationship between the dependent and independent variables.

The following tables present the results from the linear multiple regressions carried out using the five variables: Competence, Working Environment, Independence, Industry Specialization, Salary & Benefits and Management Support and performance of internal auditing as the dependent variable. This was done to determine the best linear combination of the variables for predicting the performance of internal auditing.

Table 4.9: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.874 ^a	.765	.724	.3839

a. Predictors: (Constant), Competence, Working Environment, Independence, Industry Specialization, Salary & Benefits and Management Support

Source: Survey data, 2017

Model summary (table 4.9) of output is very important in describing overall relationships between dependent and independent variables (R), goodness of fit (R square) and the standard error of estimate.

In order to determine the strength of the relationship between those variables, a value of R which is assumed to be 0.874 was established to show that the relationship between dependent and independent variable is very strong. Results have shown that 87.4% variations are caused by the independent variable.

Similarly, R^2 value shows us how close the data are to the fitted regression line. Thus, the overall predictability of the model is shown in the above table. The R^2 value of 0.765 indicates that model explains 76.5% of the attributes are responsible for overall performance of internal auditors. It means that there exists a positive relationship between all independent variables and a dependent variable. Moreover, this model shows a figure of the standard error of estimate i.e. 0.383, meaning that actual data is 38.3% dispersed from the regression line.

Table 4.10: ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	16.750	6	2.792	18.957	.000 ^b
Residual	5.154	62	.147		
Total	21.905	68			

a. Dependent Variable: On the overall, I am satisfied with the performance of Internal Auditors

b. Predictors: (Constant), Competence, Working Environment, Independence, Industry Specialization, Salary & Benefits and Management Support

Source: From Survey Data

Above ANOVA, table 4.10 has shown that P-value is much less than 0.01, meaning that there is a significant impact on the variables. Hence, the model is accepted. So, it tells us that there is the strong impact on Competence, Working Environment, Independence, Industry Specialization, Salary & Benefits and Management Support on the performance of Internal Auditors.

Table 4.11: Regression Model (Coefficients^a)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.055	.072		.771	.446
CO	.152	.047	.167	3.263	.002
WE	.218	.029	.244	7.423	.000
1 ID	.099	.063	.061	1.577	.124
IS	.107	.045	.134	2.389	.022
SB	.239	.033	.316	7.222	.000
MS	.160	.034	.127	4.662	.000

a. Dependent Variable: On the overall, I am satisfied with the performance of Internal Auditors

Source: Primary data Survey, 2017

Note: CO – Competence, WE – Working Environment, ID – Independency, IS – Industry Specialization, SB – Salary and Benefits, MS – Management Support, AP –Auditor’s Performance.

Performance of Internal Auditing = f(Competence, Working Environment, Independence, Industry Specialization, Salary & Benefits and Management Support) mathematically it can be written as:

Where,

Y = Performance of Internal Auditing

X1 = Competence

X2 = Working Environment

X3 = Independence,

X4 = Industry Specialization

X5 = Salary & Benefits

X6 = Management Support

There α is constant while β_i are coefficients of estimates and e is the error term.

$$Y = \alpha + \beta_1x_1 + \beta_2x_2 + \beta_3x_3 + \beta_4x_4 + \beta_5x_5 + \beta_6x_6 + e$$

Using the regression output from the above tables, estimated the following relationship model:

$$Y = 0.055 + 0.152X_1 + 0.218X_2 + 0.099X_3 + 0.107X_4 + 0.239X_5 + 0.160X_6$$

Testing the Hypotheses

As depicted in the above model, all independent variables except Independence are useful to predict the performance of internal auditors in the case of Ministry offices in Ethiopia. Competence ($\beta = 0.167$, $P < 0.01$) was found to have a significant effect on the performance of internal auditors. Hence, the result of the analysis stands for **rejecting the null hypothesis (Ho1)** that “There is no positive and significant effect between internal auditor Competency and the performance of internal auditors” and accepting the alternative hypothesis “There is positive and significant effect between internal auditor Competency and the performance of internal auditors”. It implies that the relationship between dependent and independent variables is direct relationships.

Regarding with the Working Environment variable shows the Beta values endorses that 0.244 and the p-values shown 0.000 at 5 percent level of significant ($p < 0.05$). On this basis, **the null Hypothesis (Ho2)** is stands as **rejected**. Therefore, the analysis on the working environment regarding with the relationships of the performance of internal auditors indicates that there has found positive and significant relation. It implies that working environment is directly affecting the performance of internal auditors.

Concerning with Independence variables the study was found that the Beta-values was 0.167 and the p-values was greater than 0.05 ($P = 0.124$), which was found to have insignificant effect on the performance of internal auditors. Hence, the result of the analysis stands for **Accepted the null hypothesis (Ho3)** that “There is no positive and significant effect between internal auditor Independence and the performance of internal auditors”. It implies that the relationship between dependent and independent variables is positive but insignificant relationships.

Regarding with the Industry Specialization variable shows the Beta values endorses that 0.134 and the p-values shown 0.022 at 5 percent level of significant ($p < 0.05$). On this basis, **the null Hypothesis (Ho4)** is stands as **rejected**. Therefore, the analysis on the Industry Specialization regarding with the relationships of the performance of internal auditors indicates that there has found positive and significant relation. It implies that Industry Specialization is directly affecting the performance of internal auditors.

The result of the regression analysis in the above table 4.11, shows Salary and Benefits had the major effect on the performance of internal auditors with ($\beta = 0.316$, $p < 0.05$). The Beta value of Salary and Benefits is 0.316, which indicates that 100% change in the performance of internal auditors leads to 31.6% change in overall performance of internal auditors at P-value 0.000, which is significant relation with the performance of internal auditors. As a result of this, **Hypothesis (Ho5) is rejected**. Therefore, the analysis on the Salary and Benefits regarding with the relationships of the performance of internal auditors indicates that there has found positive and significant relation. It implies that Salary and Benefits is directly affecting the performance of internal auditors.

Regarding with the Management Support variable shows the Beta values endorses that 0.127 and the p-values shown 0.000 at 5 percent level of significant ($p < 0.05$). On this basis, **the null Hypothesis (Ho6) is stands as rejected**. Therefore, the analysis on the Management Support regarding with the relationships of the performance of internal auditors indicates that there has found positive and significant relation. It implies that Management Support is directly affecting the performance of internal auditors.

CHAPTER FIVE

SUMMARY OF FINDING, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter provides the summary of the findings, conclusions and recommendations of the study based on the research questions of the study. The purpose of this study was providing insight in to factors that affect the performance of internal auditors' focus on the ministries in the Government of Ethiopia.

This study was carried out in the seven Ministries. The data were collected through the use of questionnaires and the research paper used descriptive survey. All questions were analyzed using percentages, frequency and means.

5.2 Summary of Major Finding

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

- It was depicted that more than 80% of the respondents were found from age group between 26 – 45.
- The study was revealed that majority of respondents were Male group (52%).
- It was found out that majority that more than half of respondent's salary laydown between 6501 to 8500 (45.2%) and next high number of respondents' salary was found between 4501 to 6500 (40.5%).
- More than 85% of the respondents educational background was found that First degree holders.
- The study was found that 60% of the respondents have been more than 7 years' work experience.
- The study was found that technical competency of the performance of internal auditors is found to be below the average as indicated by the weighted mean value of (2.74).

- The study was found that auditors working environment effect on the performance of internal auditors is found to be below the average as indicated by the weighted mean value of (mean=2.67).
- It was found out that the statements of the job description, segregation of duties, authority, coordination and accountability are clearly defined (mean=3.38).
- It was found out that internal auditors have right to access to all operations, personnel, assets and transaction records (mean=3.38)
- It was disclosed that Internal auditors in the selected ministries having industry specialization skills gaps on the performance of internal auditors, which is the weighted mean values was found that below the average mean (2.73).
- The study was found that salary and benefit of internal auditors on the performance of internal auditors is found to be below the average as indicated by the weighted mean value of (mean=2.24).
- It was found that management support given to the auditors' effect performance of internal auditors is found to be below the average as indicated by the weighted mean value of (mean=2.97).
- Concerning items correlations, the study indicated that there were significant positive correlation between Salary & Benefits and the performance of internal auditors ($r=0.872$; $p<0.01$).
- It indicated that the combined effect of independent variables (Competence, Working Environment, Industry Specialization, Salary & Benefits and Management Support) on the dependent variable (the performance of internal auditors) was significant at $p<0.05$.
- The study disclosed that pertaining to major predictor factors of performance of internal auditor, the study revealed the following rank order from the highest to lowest: Salary and Benefits, Work Environment, Competence, Industry Specialization, Management Support and Independence.

5.3 Conclusion

This study assessed the effect of internal auditor technical competency, working environment, internal auditor independence, having industry specialization, salary and benefit and management support on internal auditor performance.

- ✓ An internal auditor has been the required technical competency. However, majority of the respondents have limitation on computer assisted auditing skills and using some financial tools and techniques. Therefore, it can be conclude that auditors have computer assisted audit work and advanced analysis tools skill gap. It may have negative impact on their audit findings.
- ✓ Even if respondents were agreed with regards to the job description, segregation of duties, authority, coordination and accountability are clearly defined, majority of items were respond approached to disagreement. So it can be conclude that internal auditors did not have healthier working environment to perform their auditing duties in better ways.
- ✓ The finding revealed that internal auditors have less skill on the specific industry. Therefore, it can safely conclude that internal auditors did not provide adequate trainings to enhance their understanding and knowledge about the industries core process. Thus, it can impede the performance of internal auditors in their auditing duties.
- ✓ Pertaining to salary and benefits that provide to the internal auditors did not satisfy internal auditors. So, it can be conclude that internal auditors are not motivated to perform their auditing duties. It is obviously affect the performance of internal auditing activities.
- ✓ In order to successfully performing internal auditors' activities or duties management supports is very crucial. However, as the finding indicated that the majority of respondents confirm that there was inadequate management support to perform internal auditing duties in the ministry offices. This could lead to loss of quality by the finding of auditors' investigation and suggest the right things.

- ✓ All in all the evidence from this study show that the Ethiopian government ministries internal auditors opinion their performance was limited by the following factors that is ranged the mean values from highly dissatisfied factors to satisfied factors; those are, (i) salary and benefit (2.24), (ii) working environment (2.67), (iii) Internal auditor independence (2.84), (iv) having industry specialization (2.73), (v) management support (2.97), (vi) internal auditor technical competency (3.26).

5.4 Recommendations

After watching the research findings and achieved results with regard to the main objective of this study to identify the major factors that affect internal audit performance of internal auditor in the Ethiopian government minsters, the researcher provides the following recommendations to the Ethiopian government minsters, the internal auditors.

- The internal auditors from those selected ministries have limitation on computer skills and using advanced analysis tools and techniques. Internal auditors should be fully trained on how to use the latest internal audit software which should be frequently upgraded to keep abreast with changing technology. Internal auditors should also be exposed to the developments in the internal audit frameworks regularly pronounced by the Institute of Internal Auditors and should be getting continuous training on the advanced analysis tools and techniques it will help to introducing themselves with modern technologies and that improve their internal audit performance. On top of that enhance overall their competencies by arranges to hold professional certification in line with the institute of internal audit standards.
- Pertaining to the independence right of the internal auditors in the selected ministries is restricted. Therefore ministry of Finance and Economic cooperatives and government should give adequately independence to internal auditors to enhance their performance.
- As the response of internal auditors their salary and benefits are not adequate for their duties. It could be demotivated internal auditors and may create gaps on their auditors' duties. Therefore, ministries officials and government should be fairly improved their salary and benefit. It will be helps to minimize staff turnover.

- As the response of internal auditors their work environment is the antecedent of job satisfaction and organization commitment. Ministry must provide comfortable work space, good communication climate, fair treatment, rules and procedures that clear and easy to understood.
- As the response of internal auditors support given by the top level management to the internal auditors is not enough. Ministry officials and government should provide enough support and encouragement for internal audit staff. Top management body and Internal Auditors teams shall try to work together in changing the audit culture in Ethiopian government ministry. So, MoFEC should be influence the organization to provide the necessary support.
- The finding revealed that internal auditors have less skill on the industry specialization. Therefore, it can be recommended that ministry officials and government should provide adequate trainings to enhance their knowledge and skill about the industries core process.

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APPENDENCES

Questionnaire

Addis Ababa University

School of Post Graduate Students

Department of Accounting and Auditing

Questionnaire for Internal Auditors

Dear Respondent,

I am a student in Addis Ababa University, Department of accounting and auditing. As part of the requirement for accomplishment of the Master's degree, I am undertaking a Research to assess Factors affecting the performance of internal auditors: The case of federal budgetary institution in Ethiopia. Therefore, your response is very important to the ending product of the study and you are requested to completely and objectively respond all questions. Please answer all questions. In this regard, I kindly requesting for your support in terms of time, and by responding to the questionnaire. The Information received will be treated with desired full confidentiality.

SECTION A: DEMOGRAPHIC PROFILE

1. Age: < 25 26-35
36-45 46-55 55 <
2. Sex of the respondents: A) Male B) Female
3. Monthly Income (Birr): A) 4500 > B) 4501-6500
C) 6501-8500 500 <
4. Educational Level: A) Below Diploma B) Diploma C) B degree D) Masters and
above E) Others (ase specify) _____
5. work experience: A) 0-2 years 7 years C) a 8year

SECTION B: FACTORS AFFECTING PERFORMANCE OF INTERNAL AUDITORS

Following statements seek to measure your approval (liking or dislike) for the specific factors affecting performance of internal auditors. Please a “✓” in the box that best represents your level of agreement or disagreement as Strongly Agree=SA, Agree=A, Neutral=N, Disagree=DA, Strongly Disagree=SD

1 Competency						
	Statement	SA	A	N	DA	SDA
1.1	internal auditors possess appropriate knowledge to audit an organization					
1.2	There is required knowledge on financial analysis tools and techniques					
1.3	There is proper understanding of how higher-level objectives link with organization’s operational objectives					
1.4	Internal auditors are proficient in forensic skills/fraud awareness					
1.5	Internal auditors are proficient in problem-solving techniques and use of tools					
1.6	Internal auditors are proficient in data collection and analysis tools and techniques					
1.7	Internal auditors are proficient in controlling mechanism identification					
1.8	Internal auditors are proficient in techniques on Computer assisted internal auditing system					
2 Working Environment						
	Statement	SA	A	N	DA	SDA
2.1	Internal auditors are provided with formal audit training courses					
2.2	The internal auditors are recognized at annual professional audit conference and given diplomas, awards, etc.					
2.3	The organization has future training plans for each internal audit staff					
2.4	There are participating travel opportunities to conferences, audit work, trainings, etc.					
2.5	The audit committee has well laid out plans for managing major risks identified by internal auditors.					
2.6	The job description, segregation of duties, authority, coordination and accountability are clearly defined.					
2.7	There are work experience exchange programs participation (e.g. with the auditor general)					
2.8	The internal auditors are praised and their role recognized in audit publications					
3 Independence						
	Statement	SA	A	N	DA	SDA

3.1	Internal audit is free from intervention in performing its duties and it increase performance					
3.2	Internal Auditor has free and unrestricted access to all operations, personnel, assets and transaction records					
3.3	During recruitment of internal audit staff, the top managers is fully involved in the process					
3.4	Internal auditor reports to top management and to those charged with governance					
3.5	Legislation and the audit charter defines clearly and formally the roles and authorities of an internal auditor					
3.6	The protection of internal auditor independence and authority is adequate					
4	Industry specialization					
	Statement	SA	A	N	DA	SDA
4.1	I have the required skills on the Industry specialization					
4.2	I am familiar with the Industry duties and objectives					
4.3	I get continues training to enhance my knowledge about industry					
4.4	Internal auditors possess sufficient experience to understand the organization's systems					
4.5	I will get the right information about the core process of the organization at the time of auditing					
4.6	I did not get challenge regarding with core process of the organization at the time of investigation					
5	Salary and benefit					
	Statement	SA	A	N	DA	SDA
5.1	I feel my salary and benefits are equivalent with my contributions					
5.2	I'm satisfied with the Industry periodical salary increments and benefits					
5.3	I'm satisfied with my salary and benefits					
5.4	Internal auditors are adequately graded and remunerated according to their roles and responsibilities					
5.5	I feel my organization salary scale is equivalent with other similar organizations					
5.6	There is special benefits for unique contribution for the institutes					
6	Management support					
6.1	There are regular discussions between the internal auditors across the year					
6.2	There is constant monitoring of the audit plan					
6.3	Internal auditors are getting the required support from top Managers					

6.4	The internal audit operations are positioned strategically in a bid obtain cooperation from management within the institutions					
6.5	The internal audit operations are positioned strategically in a bid obtain cooperation from staff within the institutions					
6.6	I can get enough information about the area of auditing departments					
7	Overall Performance of Internal Auditors	SA	A	N	DA	SDA
7.1	On the overall, I am satisfied with the performance of Internal Auditors					

Thank you very much!

MeskeremGetahun