

*Addis Ababa  
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***Practice, Challenges and Prospects of Internal Auditors in  
Some Selected Social Sectors of Federal Public Budgetary  
Organization***

***By***

***Genet Shewafera***

***A Research Project Submitted To The Department Of  
Accounting And Finance In Partial Fulfillment Of The  
Requirements For The Degree Of Master Of Art In  
Accounting And Auditing.***

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***Ethiopia***

## **Declaration**

**I, Genet Shewafera declare that, this project paper prepared for the partial fulfillment of the requirements for MSC. Degree in Accounting and Auditing entitled “Practice, Challenges and Prospects of Internal auditors in some selected social sectors of Federal public budgetary organization” is prepared with my own effort. I have made it independently with the close advice and guidance of my advisor.**

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***APPROVED BY BOARD OF EXAMINERS***

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### ***Acronyms and Abbreviation:***

***ACCA:*** Association of chartered certified accountant

***APBG:*** Auditing Practices Board Auditing Guidelines

***ASB:*** Auditing Standards Board

***CAE:*** Chief Audit Executive

***CPA:*** Certified Public Accountants

***CMA:*** Certified Management Accountant

***CIA:*** Certified internal auditor

***CIPFA:*** Chartered institute of public finance and accountancy

***EPSS:*** Statistical Package for Social Scientists

***IA:*** Internal Auditors

***IAF:*** Internal Audit Function

***IIA:*** Institute of internal auditors

***IPPF:*** International Professional Practices Framework

***ISA:*** International standard on Auditing

***ISPPIA:*** International Standards for Professional Practice of Internal Auditing

***MOF:*** Ministry of finance

***OFAG:*** Office of the Audit General

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## **Abstract**

*The purpose of this study is to identify the current practice, major challenges and prospects of internal auditor's in performing their audit function in some selected social sector federal public organization and how they affect the public finance and working atmosphere and also recommend to be taken in reducing these challenges. To achieve the objectives of this study the researcher used primary and secondary data. Primary source involves interview and questionnaires, in which 75 questionnaires administered to the staff of Accounting, Internal audit department and MOF inspection directorate staff of 15 from a total of 75 social sector federal public organization. Interview was conducted from head of internal audit, finance and inspection directorate director. And secondary data were collected from MOF inspection directorate annual report, MOF (2005) Internal Audit Manual, Standards and Implementation Guide, proclamations and other related documents. The descriptive statistics analyzed using mean and standard deviation by using SPSS (20) software. The major findings reveals that Detailed Audit work program is not prepared, annual audit plan is not properly implemented, internal audit reports are not prepared as per the standards and also do not submitted to on time, lack of skill and knowledge at the level in which the professions demands to be, there is no special benefit given to motivate them for their unique contribution, staff shortages, lack of awareness & training and recognizing internal auditors as fault finders by management are the main basic challenges internal auditors. In light of the findings, the researcher recommended proper attention needs to be given by top level managers and government higher official for internal audit should implement audit program, risk assessment as part of audit planning, continuous professional developments, and improvement of auditors remuneration and fringe benefits to encourage performance to bring a change in public finance.*

**Key words:** *Audit, internal audit practice, challenges of internal auditor and public organization.*

# CHAPTER ONE

## 1. INTRODUCTION

The current practice major challenges and prospects of internal auditor's performance in performing their audit function are the central concern of this project study. This chapter introduces background of the study; statement of the problems; and discusses on objectives, significances, scope and limitation of the study.

### 1.1 Background of the Study

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).

Internal auditing is an innovative function that has focused on emerging control and audit expertise including control self-assessment, which enlists the support of the employees in diagnosing efficiencies and implementing improvements in different areas of auditing. Internal auditors assist both management and boards of directors and audit committees by examining, evaluating and reporting on the adequacy and effectiveness of the management's risk processes and by recommending improvements when necessary (Soltani, 2007). Similarly, according to Ethiopian internal audit manual, auditing is process by which a competent person accumulates and evaluates evidence about quantifiable information related to a specific economic entity for the purpose of determining and reporting on the degree of correspondence between the quantifiable information and established criteria (MoF 2004).

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

Manual also states that the Standards reflect the Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Audit.

In 1998 the Ministry of Finance issued an Operational Audit Manual to strength the Audit function in the Public Bodies. According to this manual internal audit services are made to report to the top persons of the organizations. In October 2009 the government of Ethiopia amended the internal auditors administration policy directive 47/2009 was issued to further strengthen the Internal Audit service function in the public bodies. The head and professional staffs of internal audit of public bodies shall be accountable to the minister of finance. This will have a significant change in the independence and objectivity of internal auditors in determining their audit scope, and performing their audit process without the interference of management. Ministry of Finance internal audit manual and Directive is applicable to internal auditing under the helps of Public bodies. Though this measure considered as a one the profession challenges of internal auditors in relation to independence in the other way round and also in performing their audit functions are still on the increase in social sector public bodies. That's why this study is needed to conduct further current examination on the practice, challenge and prospects of internal audit in implementing audit functions.

## **1.2 Statement of the problem**

Internal auditors have many roles and contributions to the organization and the public interest, it also faces many challenges from the organization they work. Some of the challenges identified by the Ministry of Finance (2004), in internal audit manual are lack of management respect, lack of independence, assigned of internal auditors to many tasks and being ignored (conflict of interest) and lack of professional development. Further, Mihret and Yismaw(2007) in their case study on Ethiopian public Universities, argue that lack of competent personnel is challenges of internal auditors. Unegbu, and Kida (2011) realized that, IA can effectively carry out their duty in the public sector if there are enough IA personnel with required competencies. Appah E and Oyadonghan J. K(2011) argued that internal auditors in the public sector in Nigeria is not performing the audit responsibility with all level of professional and technical expertise as expected by the society and this is why there is wide spread misappropriation of public sector funds and massive corruption in Nigeria. According to the (International Professional Practice Framework) IPPF standard whether the types of audit conducted is compliance, financial or

performance audit the auditor's report should be easy to understand and free from vagueness or ambiguity includes only information which is supported by adequate, relevant and reasonable audit evidence and be independent objectives and fair and constructive.

When we come in our country, the government social public offices are the key channel for a country economic development due to their commitment to a number of social operations. Government offers great attention for such service due to the fact that developing education and care of the human health is a key issue. These sectors involved in collecting and spending hundreds of billions birr of public money through the various public offices to achieve growth and Transformation plan of government activities. However, the utilization of government budget is not reports clear (OFAG 2009E.C, MOF 2009 E.C). The continuous adverse and disclaimer audit opinion disclosed by the general audit findings to the public (Office of Federal Auditor General from 2009 E.C Audit Report Summited to Ethiopian Parliament.). In the social sector federal public organization the highest number of internal auditors in job open positions (MOF 2010 E.C).

In my experience especially in the social sectors reports are not clear and most of them are adverse and disclaimer audit opinions. But I don't why the reason these problem are faced? Therefore in order to get reliable and further investigation on practice, challenge and prospects of internal auditors in social sector some selected federal public organization the following basic question were organized.

### **1.3 Research question**

1. To what extent internal auditor performance in social sectors budgetary organization?
2. What are the major challenges of internal auditors in some selected social sectors?
3. What could be taken to improve audit performance in social sectors of budgetary organization?

### **1.4 Objectives of the Study**

The general objective of this study is assessing practice, challenge and prospects of internal audit in performing audit activities in some selected social sector public organization. Particularly, the study to address the following specific objectives:

1. To assess the extent of planning in carrying out the audit activities.
2. To examine the performances used in evaluating the audit evidence
3. To evaluate the practice used in reporting the audit result.
4. To examine activities used in monitoring audit recommendation.
5. To evaluate internal auditors independence, in performing audit activities.
6. Examine the contribution of competence of internal auditors in performing audit function.
7. To assess job satisfaction of the internal auditors.

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

The output of this study to have the following significance:

- a. To provide deep knowledge about the challenges of internal audit function in social sector in order to achieve their objectives successfully and help to make decision.
- b. The findings of this study will be enabling the government as well as public organization to revisit the implementation of internal audit;
- c. The output will be useful for donors and international organization to check whether the fund they provided for internal audit reform brought the capacity in internal auditing system;
- d. Remembering auditors on the cares to be taken and professional's accountabilities expected from them.
- e. The results of this study will help as a reference for further research in the area.

### **1.6 Scope of the study**

These study more successful if it conducts on all federal budgetary public organization internal auditors. But this study mainly focus on practice, challenges and prospect of the internal auditor's faces in performing their audit activities planning, evaluation, reporting, follow up, competency, independency and job satisfaction/ work environment only in 15 key social sector federal public bodies in Addis Ababa which run different projects in the country and having more than 100 million annual recurrent & capital budgets in each organization.

## 1.7 Limitation of the Study

Having the above scope, 44 social sectors public organization out of Addis Ababa because of these reason following limitations due to time and financial constraints, it is out of the reach of the researcher to incorporate all in this study.

## 1.8 Definition of Terms and Concept

**Audit** is a systematic and independent examination of books, accounts, statutory records, documents and vouchers of an organization to ascertain how far the financial statements as well as non-financial disclosures present a true and fair view of the concern. It also attempts to ensure that the books of accounts are properly maintained by the concern as required by law. Auditing has become such a ubiquitous phenomenon in the corporate and the public sector that academics started identifying an "Audit Society". The auditor perceives and recognizes the propositions before them for examination, obtains evidence, evaluates the same and formulates an opinion on the basis of his judgment which is communicated through their audit report (MOF 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 and business processes. With commitment to integrity and accountability, internal auditing provides value to governing bodies and senior management as an objective source of independent advice. Professionals called internal auditors are employed by organizations to perform the internal auditing activity (MOF 2005).

**Internal auditor** is an auditor who is appointed by the management of the company in order to carry out the internal audit function. Generally an employee of the company acts as an internal auditor, whereas some companies appoint an external expert as an internal auditor (MOF 2005).

**Ministry of Finance** is a ministry within the cabinet of the Government of Ethiopia. It is responsible for general financial management and economic policy of Ethiopia, in addition to the allocation of economic assistance (MOF 2005).

**Audited entities/audited bodies/audited organizations** mean all Federal public bodies that are audited by the Internal Auditors.

## **1.9 Organization of the Study**

The study includes five chapters. The first chapter deal with introduction (i.e. background of the study, statement of the problem with research questions, objective of the study, significance of the study, scope of the study, and limitation of the study and organization of the study). The second chapter deals with related literature (Theoretical and Empirical literature review). The third chapter shows research design and methodology. The fourth chapter has data analysis and interpretation and the last chapter contains summary of major finding, conclusion and recommendation.

# **CHAPTER TWO**

## **RELATED LITRATURE REVIEW**

### **2.1 Introduction**

In this chapter literatures reviews of different literatures based on the relevance and relationship with the research subject matters /internal audit practice, challenges and prospects faced by internal auditors. The study of this literature organized into three sections. The first section deals with the theoretical reviews in connection with practice and challenges of internal auditors in performing audit activities. The second section deals with empirical studies regarding challenges of internal auditors the extant of literature. The final section presents the identification of knowledge gap.

### **2.2 Theoretical review**

#### **2.2.1 Internal Audit**

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

Later on, the Institute of Internal Audit (IIA, 2001), defined internal audit as: an independent, objective assurance and consulting activity designed to add and improve an organization's operations. It helps an organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. It also includes monitoring, assessing, and analyzing organizational risks

and controls; and reviewing and confirming information and compliance with policies, procedures, and laws. Internal Audit Function (IAF) is the mechanism through which the operation of the quality management system is formally monitored and in accordance with the documented quality system is assured (MOF, 2004).

In addition, internal auditing may analyze strengths and weaknesses of an organization's internal control, considering its governance, organizational culture, and related threats and opportunities for improvement which can affect whether the organization is able to achieve its goals. The analysis assesses whether risk management identifies the risks and puts controls in place to manage public funds in an effective and efficient manner.

According to Okafor & Ibadin (2009) they argue that the internal audit exercises a critical role in improving corporate governance in organizations. Internal auditing works with those charged with governance, such as board, audit committee, senior management or, where appropriate, an external oversight body, in ensuring that appropriate systems of internal control are designed and implemented.

Internal auditing can be described as a five-step process. First the internal auditors need to identify and understand the criteria to which the condition must be compared. Secondly the internal auditors should collect evidence about the organization. Thirdly they have to analyse and evaluate the evidence. Fourthly they should compare the evidence found with the predetermined criteria. Lastly they should communicate the results to the intended users. (Kagermann et al, 2008)

### **2.2.2 Internal Audit in the public sector**

As is true for all internal auditors, public sector internal auditors are called upon to assist organizations in improving their operations. The public sector internal audit function is an element of a strong public sector governance foundation. Most public sector internal auditors also play a role in their entity's accountability to the public as part of the check-and-balance process.

The diverse nature of the public sector places increasing importance and value on a common understanding of independence as it is key issue to any auditor's credibility. As internal auditors are an integral part of the organization, the achievement and maintenance of independence is even more challenging and its function can be organized and performed at various levels within

an entity, or within a broader framework that covers a set of similar entities. The same principles and rules apply to these different organizational levels of internal auditing. (sisay 2018)

When observing the public sector and international institutions in general, the function of IA is essential for effective management. As the Institute for Internal Audit (2012) points out the IA function in the public sector is of great importance and must be structured in a manner that ensures the fulfillment of their accountability and transparency to the general public, while at the same time allows them to efficiently, effectively and cost-effectively meet its goals. For the IA in the public sector the key point is the credibility and the level of independence with which this function is performed. (Gebre 2010)

One must keep in mind that the staff of these departments is also an integral part of particular public organizations, so credibility and independence, as well as their advisory role, is becoming an increasing challenge and the point of potential conflicts of interest.

### **2.2.3 The Development of Internal Audit in Ethiopia**

The history of internal auditing in Ethiopia dates back to about the middle of the 1940s. The first substantial development during this period was the issuance of Ministry of Finance directives in 1942. This was followed by the formation of the Audit Commission by Proclamation No. 69/1944 to undertake external audit of accounts of the Ministry of Finance (Government of Ethiopia, 1944), which was subsequently mandated to conduct the external audit of other budgetary institutions as well. This marks the start of today's Office of the Auditor General of Ethiopia (OFAG), which, among other duties, monitors and regulates the accounting and auditing profession in the country. The second development was the formation of the Office of the Auditor General (OAG) was then established in 1961 by proclamation number 199/1961 (Government of Ethiopia 1961), which accorded the OAG greater authority than the Audit Commission that was established in 1944. Kinfu, (1990). Internal audit as a separate function also appeared in this period (in 1987) when the Auditor General was given the mandate to monitor and regulate internal auditing in government offices and public enterprises Argaw, L. (2000). This proclamation also gave the auditor general the authority to issue minimum requirements for staff of internal auditors, provide training to internal auditors, and require reports on internal audit of government organizations.

The Ethiopian government has also been providing enhanced support to the development of internal audit since 1994 Teklegiorgis, H. (2000). In 1994, the Prime Minister set up a task force that forwarded recommendations to improve internal audit in government offices. Consequently, the Ministry of Finance (MOF) has been mandated to develop a manual for internal audit in government organizations. 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 Zeleke, B. (2007). Generally, the history of internal auditing in Ethiopia dated back to the 1940s.

#### **2.2.4. 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:

1. The ascertainment of the extent to which the asset of the organization are accounted for and safeguarded from losses or damages.
2. The examination of financial statement items, attest 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.
3. The examination and ascertainment of the extent to which established policies, plans, rule, regulation and procedures.
4. The assessment of budgetary standard setting.
5. The assessment of the level of performance in successfully discharging duties and responsibilities assigned.
6. 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.

### **2.2.5 The role of internal audit**

In the 16<sup>th</sup> century auditing and accounting were merely concerned with governmental and family issues, were used to prevent frauds and defalcations and to keep independent records of similar transactions. Another advantage of auditing was to periodically record inventories and to ensure accuracy in the accounting records and reporting (Brown, 1962).

As the above definition indicates, Internal Auditing is very necessary in helping the decision makers and also important for the organization to accomplish their objectives. Some importance of internal audit:-

1. Staffs remain alert because their work shall be checked by the internal auditor. So, accounting remains correct.
2. Internal audit helps the management to take corrective action.
3. Internal audit detects the misuse of resources in time which helps to reduce unnecessary expenses.
4. Internal audit checks the efficiency of staffs.
5. Internal audit increases the morale of honest staff.
6. Another benefit of internal audit is accuracy of financial statement. Internal auditor will review the financial statement to ensure reasonable assurance of information. Besides that, it also to ensure that information is complying with law and regulation that stated in the standards.

Existence of internal audit will make investors are assured that their interest are being properly Protected and managed without any manipulation by another party (Shamsuddin A., 2015).

### **2.2.6 Auditing and Internal Audit Practices**

Internal audit is an independent management function, which involves a continuous and critical appraisal of the functioning of an entity with a view to suggest improvements thereto and add value to and strengthen the overall governance mechanism of the entity, including the entity's strategic risk management and internal control systems Soh and Bennie, (2011).

Effective audit practices in the public sector is very crucial as it protects the interests of the citizens, strengthens governance by significantly enhancing the citizens' ability to hold their public officers accountable. Auditors' duties are very important especially in the aspect of promoting credibility, equity, and appropriate behavior of public sector officials, while reducing the risk of public corruption. Audit practices entail but not limited to assurance and advisory

services (ranging from financial attestation to performance and operational efficiency). Widened scope of the public sector audit practices directives would influence the public entity's overall activities. Although the audit practices tend to differ across countries but generally, public sector audit activities entails: organizational independence, a formal mandate, unrestricted access, sufficient funding, competent leadership, objective staff, competent staff, and Professional audit standards IIA, (2012).

According to McRae & Gils (2014) internal audit practices or activities comprise of internal auditors' competence, roles and responsibilities, independence and objectivity in carrying out their work and report effectively.

IA with a systems evaluation approach, IA has been concerned with checking compliance with policies and procedures. Then, since the 1990s another wave of transformation led IA to be viewed as a value adding service with a broader scope of activities including assisting organizations in the management of risk.

### 2.2.7 Types of audits

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

- a. **Financial audit:** involves verification of financial data to express opinion on their validity and reliability
- b. **Compliance audit:** involves verifying adherence to policies, plans, procedures, laws and regulations
- c. **Value for money (performance) audit:** is a forward looking evaluation of operations to identify areas in which economy, efficiency and effectiveness (the three E's) may be improved or to evaluate compliance with and the adequacy of operational policies, plans and procedures. It involves evaluation of inputs, process and outputs. Other names used to describe this type of audit include Operational, Management and Three E audit (MOF, 2005).
- d. **Environmental audit:** is an audit which confirms the degree of compliance with both internally and externally determined emission and pollution standards (MOF, 2005).

### **2.2.8 International Internal Auditing Standards**

According to IIA's International Standards for the Professional Practice of Internal Auditing (*Standards*) revised 2012, internal auditing is conducted in diverse legal and cultural environments; within organizations that vary in purpose, size, complexity, and structure; and by persons within or outside the organization. While differences may affect the practice of internal auditing in each environment, conformance with The IIA's International Standards for the Professional Practice of Internal Auditing (*Standards*) is essential in meeting the responsibilities of internal auditors and the internal audit activity. If internal auditors or the internal audit activity is prohibited by law or regulation from conformance with certain parts of the *Standards*, conformance with all other parts of the *Standards* and appropriate disclosures are needed. *Standards*, internal auditors and the internal audit activity must conform to the *Standards*, and may conform with the other standards if they are more restrictive.

#### **The purpose of the Standards is to:**

1. Delineate basic principles that represent the practice of internal auditing.
2. Provide a framework for performing and promoting a broad range of value-added internal auditing.
3. Establish the basis for the evaluation of internal audit performance.
4. Foster improved organizational processes and operations.

#### **The Standards are principles-focused, mandatory requirements consisting of:**

1. Statements of basic requirements for the professional practice of internal auditing and for evaluating the effectiveness of performance, which are internationally applicable at organizational and individual levels.
2. Interpretations, which clarify terms or concepts within the Statements (IIA 2012).

### **2.2.9 Major Challenges of internal audits**

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

## **A. Organizational independence**

MOF (2004), Ethiopian Government Auditing Standards (EGAS, 2006) and IIA (2006) states that organizational independence allows the audit function to conduct work without interference by the entity under audit. EGAS (2006) placed emphasis that in all matters related to their audit work, audit offices and individual auditors must have independence from the legislature, executive and the management of the audited entities.

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

Van Gansberghe (2005) affirmed that, the agreement and active involvement of the head of internal audit, senior managers, audit staff, accounting officers and senior operational management must be secured in a climate that fosters independence, but valued evaluation of the effectiveness of risk management, control, and governance processes. To foster independence, Wobschall (2011) on his internal Audit Quality Assessment Framework paper similarly stated that internal auditors sufficiently maintain independence and objectivity by not auditing operational areas for which they have previously had executive or management responsibility within the last year and not undertake subsequent audits of a system, which they have previously been involved in consultancy on systems design. (Mbratu, 2008)

## **B. Management support**

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

MOF (2004), states that heads of internal audit should co-ordinate internal audit plans and activities with the management, other internal auditors, external auditors, and other review agencies to ensure the most effective audit coverage is achieved and duplication of the effort is minimized. In line with this thought, Van Gansberghe (2005) noted that the IA function should work closely together with operational managers to improve the organization's evaluation of risks and determine its risk appetite to improve its systems, regulations, procedures and the ethical environment. (Mbratu, 2008)

### **C. Unrestricted access**

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

### **D. Sufficient funding**

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

### **E. Competent leadership**

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

### **F. Competent staff**

EGAS (2006) states that the audit staff who have line responsibility for ensuring the quality of audits should supervise and review audit activities and the audit report by using the auditing standards. In line with this notion, the audit function needs a professional staff that collectively has the necessary qualifications and competence to conduct the full range of audits required by

its mandate. Auditors must comply with minimum continuing education requirements established by their relevant professional organizations and standards (IIA, 2006).

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

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

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

Auditors should gather competent, relevant and reasonable audit evidence to support findings and conclusions regarding the organization, program, activity or function under audit. But, at times auditees may not cooperate with the auditors to the extent they should or may even threaten them or intentionally hide information. Besides, inadequate documentation hinders auditors from accessing relevant appropriate audit evidence. Due to such problems, the audit task may run out of time schedule and auditors may limit their audit for the simple cause that they will be evaluated for failure to complete an audit as planned. [MOF, 2004]

#### **I. Lack of motivation**

Auditors should give reasonable care in performing their work. Unattractive benefits (salary, trainings, educational opportunities, bonuses etc.) limit the auditor's level of satisfaction and make him/her to be careless in discharging his/her duties. Thus the level of dissatisfaction of auditors (apart from the problem of competence) is affecting the quality and completeness of performance audit results. [MOF, 2004]

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

International, national, regional or local level exchange of ideas, knowledge harmonizing standards, sharing best practices and experience is an effective means of raising the quality of audit which in turn help audit organizations fulfill their mandate. [MOF, 2004]

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

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

## **2.3 Empirical literature on the practice and challenges of internal audit activities**

The previous section was presented the theories of internal audit focusing on objectives, role, components, types, practices and challenges of internal audit. This section presents reviews of the empirical studies addressed on the internal audit practices and challenges in public government sectors in developing countries, issue related to public enterprise, and in Ethiopia have done previous similar study.

### **2.3.1 Other developing countries**

Okibo & Kaau (2012) Exploring internal auditor independence motivators to Kenyan perspective, the study collected its data using a self-made questionnaire which was distributed among auditors in Kenya so as to establish the status of internal auditor's independence in Kenya. The researchers observed that the level of involvement by the internal auditors in the management activities significantly affects their professional independence. The study also observed that audit committees effectiveness also plays a significant role in enhancing audit independence. Organizations may therefore consider building capacity of the audit committees so as to improve internal audit independence. Additionally, Kamau et al. (2012) found out that there is a statistically significant causal relationship between the level of internal auditor's skills and auditor independence in Kenya.

Another study was also conducted on "The Role of Internal Auditors in the Management of Nigerian Public Sector Organizations: A Study of National Hospital, Abuja" by Nnanna, 2015 with the objective of examining the functions of internal auditors in the management of Nigerian government-owned organizations with reference to National Hospital, Abuja (NHA). The finding from the study suggests the roles of internal auditors can help to improve quality healthcare delivery in National Hospital, Abuja. The study concludes that where management continuously

empowers the internal auditors, the overall operational efficiency of Nigerian public sector organization will improve.

Likewise, Study conducted by Onumah and Krah, (2012), on barriers and catalysts to effective internal audit in the Ghanaian public sector, This study collected the data from 120 internal auditors in 40 ministries, departments and agencies through a self-administered questionnaire, and semi-structured interview with a senior manager of the Internal Audit Agency. The study revealed that the effectiveness of internal audit in the Ghanaian public sector is hampered by lack of management ownership and support for internal audit activities.

Brierley et al. (2001) argued that there is low salary levels, low levels of staff training and expertise, low esteem and motivation of staff are seen in the context of a very limited technological infrastructure to the internal audit in the Sudanese public sector. Study conducted by Onumah and Krah, (2012), revealed that the effectiveness of internal audit in the Ghanaian public sector is hampered by one of the factors is low professional proficiency of internal auditors. Van Peurse (2004) as cited by Cooper et al. (2006) major study has been undertaken in New Zealand by Van Peurse (2004) on internal auditors' role and authority. In this study, internal auditors are asked to come to a view on whether functions they perform in connection with internal audit engagements are essential, and to what degree they feel they enjoy the authority over, and independence from, management that we might expect of a professional. The research constituted a survey of New Zealand auditors, all of whom were members of the New Zealand branch of the IIA. A very high 73 percent response rate was achieved over the original and follow-up survey. The study found that characteristics of a “true” profession exist but do not dominate. Additionally, Van Peurse (2004) also observed that public practice and experienced auditors may enjoy greater influence over management, and accountancy trained auditors may enjoy greater status owing to the “mystique” of their activities emanating from their membership of well-known accountancy professional bodies.

Abu Tabar, 2016 conducts a study which aims to highlight the role of internal auditors in Jordan maintaining the public money. The results show that the Internal Auditor government departments have a role in the maintenance of public money and The Internal Auditors in Government departments have knowledge to maintain the public money. And based on the results, he recommends the governmental department to periodically take the views of auditors

and their comments and meeting with them to discuss the problems and obstacles facing them. They have to increase the number of auditors in departments and its members as needed. It must be represented by the Department of Civil Service government departments to establish a mechanism for human resources development and training of staff in accredited institutes at home and abroad. Study by Alzeban and Sawan, (2013) on the role of internal audit function in the public sector context in Saudi Arabia based through Archival and documentary analysis, supported by 29 semi-structured interviews data collection method and reported that internal audit suffers from a lack of support from top management. Similarly, Brierley et, al., (2001) Assessed study on the problems of establishing internal audit in the Sudanese public sector, through interview and direct observation research methods and revealed that there is a lack of cooperation and coordination between the various parties responsible for internal audit in the public sector.

### **2.3.2 Ethiopian previous similar studies**

In Ethiopia, there are seven studies reviewed related to internal audit practice and challenges, Hailemariam, (2014), Mihret and Yismaw, (2007), Mulugeta, (2008), Fekadu, (2009), Kedir et al. (2014), Agumas Alamirew (2015), sintayehu kagnew (2018). Hailemariam, (2014), studied determinants of internal audit effectiveness in the public sector, case study in selected Ethiopian public sector offices, Mihret and Yismaw, (2007) studied internal audit effectiveness in Ethiopian public sector, Mulugeta, (2008) studied internal audit reporting relationship in Ethiopian public enterprises, Fekadu, (2009) studied internal audit practices a case of Ethiopian governmental higher educational institutions and Kedir et al. (2014) studied internal auditing standards and its practice the case of east Arsi zone, Ethiopia, Agumas Alamirew (2015) studied internal audit function and its challenges in public sector governance in case of Amhara regional state, Sintayehu kagnew (2018) studied Challenges of internal auditors in performing audit activities in Economic sector Federal public ministries.

Research findings by Hailemariam, (2014), based on questionnaire response from internal auditor officers and manager, working in Ethiopian public sectors office, suggests that the availability of approved IA charter were contributed for the internal audit effectiveness in the public sector significantly and positively. Mihret and Yismaw, (2007) studied internal audit effectiveness in Ethiopian public sector, commonalities in policies, procedures and

organizational contexts of most public sector entities in Ethiopia and the same internal audit manual was used by all public bodies in Ethiopia (Ministry of Finance and Economic Development, 2004). To enhance the quality of data through triangulation, multiple data sources were used. Primary data were collected via questionnaires distributed to internal audit personnel and an interview was conducted with the internal audit director. A review of relevant documents served as means of generating secondary data. The study argued organizational setting does not have a strong impact on audit effectiveness. The study results by Mulugeta, (2008) on internal audit reporting relationship in Ethiopian public enterprises based on both stratified and random sampling method and primary and secondary data collection method also Both quantitative and qualitative data analysis method were used, argued that the audit charter is not effectively communicated in those organizations. Additionally it shows it is vague and/ or need clarity.

Besides, Fekadu, (2009) studied on internal audit practices a case of Ethiopian governmental higher educational institutions, in this study seven internal auditors were used as data source which were selected using convenience sampling techniques, and used as data gathering tools open-ended and closed ended questionnaires so as to obtain the required information. Then qualitative approaches were employed to analyze and interpret the filled in data. The result indicated that all sample respondents assured the absence of audit charter in each of their respective university rather all respondents stated that they are currently using the audit manual of the government.

Mihret and Yismaw, (2007) studied internal audit effectiveness in Ethiopian public sector the study highlight that internal audit effectiveness is strongly influenced by management support, additionally, Mihret and Yismaw, (2007) indicated that the auditors feel that the university does not sufficiently utilize audit reports and the management's response to the internal audit findings and recommendations is generally not adequate. Similarly, research finding by (Hailemariam, 2014) based on questionnaire response from internal auditor officers and manager, working in Ethiopian public sector office, suggests that the management support contributed for the internal audit effectiveness in the public sector significantly and positively. Mulugeta, (2008) studied on internal audit reporting relationship in Ethiopian public enterprises revealed that all sample respondents understanding of role of internal audit in good governance by management and other organs in the system is low.

Research findings by Hailemariam, (2014), based on questionnaire response from internal auditor officers and manager, working in Ethiopian public sectors office, suggests organizational independent of internal auditors were positively related with the IAE but their contribution for the IAE were statistically not significance. Kedir et al. (2014) studied internal auditing standards and its practice the case of east Arsi zone, Ethiopia. Accordingly competency, compliance, independency, risk management and quality assurance has been taken as major parameters for comparison. 36 questionnaires were distributed for the target population, and questionnaires were designed to measure the level of agreement of the respondents on the applicability of each parameter. This study revealed that auditors independency is impaired because most of the time they are attached with internal functional areas. Also Fekadu, (2009) revealed that all sample respondents stated that their CAE functionally reports to the president office that has forced them to lose their independence. Contrarily, Mulugeta, (2008) shown majority of his sample respondents believe that the current internal audit structure promotes independency. Study conducted by Mihret and Yismaw, (2007) indicated that the internal audit office reports to the President but the office does not administer its own budget.

The study by Mulugeta, (2008) indicated that the activities of IAF are more of traditional type that emphasize on verification of accounts, compliance, internal control and a little on fraud investigation. Similarly, Kedir et al. (2014) studied internal auditing standards and its practice the case of east Arsi zone, Ethiopia concluded that the scope of the internal audit function in the enterprises surveyed did not yet go far from the traditional practices and much time is devoted in performing financial and compliance audits. Mihret and Yismaw, (2007) highlighted that the scope of internal audit services is limited to regular activities. Extending the scope of services by widening the range of systems and activities audited, with appropriate risk analysis, would improve audit effectiveness.

Mihret and Yismaw, (2007) shown that the internal audit office of the organization studied has low technical staff proficiency and high staff turnover, which would limit its capacity to provide effective service to the management. Furthermore, most of the employees have a short-term employment contract and need to upgrade their competencies to enable them to provide the expected high quality service. Fekadu, (2009) noted that according to his sample response in Ethiopian higher governmental institutions internal auditors qualification is adequate for internal audit activities. Also, Mulugeta, (2008) revealed that majority of sample respondents noted that

Size internal audit staffs are not sufficient but they are qualified. Similarly, Kedir et al. (2014) stated according data collected to the employees of public enterprises in East Arsi zone, all staffs in the internal auditing department of selected public enterprises found to be competent in terms of educational background, qualification and experience. But the size of the IA staff is small due to the wrong perceptions that they are enough for financial and compliance audits. But ideally they are not sufficient.

Study by Fekadu, (2009) revealed there is no quality assurances program internal audit department, no external quality assessment every five years and hence, no recent quality assessment results communicated by CAE in the Ethiopian higher governmental institutions. Likewise, Kedir et al. (2014) studied internal auditing standards and its practice the case of east Arsi zone, Ethiopia revealed that public enterprises 'audit department has quality assurance programs. Mihret and Yismaw, (2007) has shown that internal audit of the organization studied needs improvement in the areas of audit planning, documentation of audit work, audit communications and follow-up of recommendations.

Agumas Alamirew (2015) undertakes research on internal audit function and its challenges in public sector governance in case of Amhara regional state. Based on structured questionnaire survey of all internal audit directors and staff from 35 public sector bureau of Amhara National Regional State, a total of 61 internal auditors were used.

This study attempts to empirically testing the extent of association of role of internal audit function in public sector (that is risk management, control and governance processes) with its factors (that is organizational independence, formal mandate, unrestricted access, sufficient funding, competent leadership, competent staff, management support and compliance with professional audit standards).

The finding reveals that competent staff, compliance with professional audit standards and sufficient funding is positively related with the control function of internal audit. The regression results also suggest that governance process role of internal audit function is positively related to competent staff and compliance with professional audit standards and negatively related to top management support, formal mandate and unrestricted access.

Sintayehu kagnew (2018) studied Challenges of internal auditors in performing audit activities in Economic sector Federal public ministries in these study internal auditors were used as data source which were selected using purposive sampling techniques, used as data gathering tools open-ended and closed ended questionnaires so as to obtain the required information. Then qualitative and quantitative approaches were employed to analyze and interpret the filled in data. The result indicated that in carrying out the audit engagements internal auditors should pass through the audit process of audit planning, evaluations, reporting and audit follow up which conforms to the International Standards for Professional Practice of Internal Auditing. Moreover, the professionals desire competencies in skill & knowledge, organizational independence and good working atmosphere which are significant in meeting the responsibilities of internal auditors and the internal audit activity.

### **2.3.3 Gap Identification**

The researcher motivated to analyze the above different empirical reviews and facts in order to realize their findings. It does not mean necessary that the finding of their country necessary applies for another country, because of each nation have own different culture economic background, political environment, and compliance rule and regulation in public sector and other considerations that needs to take in to account.

There were some literatures conducted in different times with various scholars, on practice of internal auditors on higher education, challenges of general office auditors, economic sector internal auditors and Amhara national regional state internal auditors particularly.

Researchers advocated further research and the need for more comprehensive study on the issue of practice and challenges of internal auditors. So the target of my study in the social sectors of public organization internal auditors to get further investigation on practice, challenges and prospect of internal auditors in social sectors and to fill this gap the following chapter provides details of the identified research problem.

# **CHAPTER THREE**

## **RESEARCH DESIGN & METHODOLOGY**

### **3. Introduction**

The main objective of this study was to assess current practice, challenges and prospects faced by internal auditors in discharging their responsibilities and recommending on the action to be taken in reducing /eliminating these challenges. In order to address the research question noted earlier the study used different techniques like procedures, data source, collection methods, instruments, sampling techniques, data analysis & presentation methods used.

#### **3.1. Research design**

This study used **descriptive research design**. The reason for selecting descriptive research design was it aimed on current issues or problems through a process of data collection that enables them to describe the situation more completely; it can also identify further area of study. Moreover, it is relatively better in describing what was happen and what happening is. Therefore, based on the objectives of the research employing, descriptive method is appropriate. Thus, descriptive study used to investigate practice, challenge and prospect of internal auditors in performing the audit process in federal public budgetary organizations in social sector.

#### **3.2 Research Methodology**

In order to achieve the intended objective, this study used **mixed research methodology** both quantitative and qualitative research methodology were chosen by using purposive sampling technique. The analysis of quantitative data and interpretation of qualitative data was combined to seek convergence among the results (Creswell, 2003, pp. 222).

#### **3.3 Research Method**

This study used **both primary and secondary source of data** collection methods are used. Primary includes (closed & open type questionnaires, interview,) secondary source of data includes ( articles, proclamations Audit manuals, OFAG & MOF reports, IA reports, are some of the documents used to analyze data related to internal audit activities identified in the study. The questionnaire was organized in two sections. The first part deals about general respondents' profile or demographic characteristics of the respondents which consists the age, gender, field of study, level of education, professional certification, position of job, and number of years of

experience of respondents. The second section consist 28 Likert-scale questions those are to analyze research suggestion, concerning the variables. And also the researcher used to 5 open type questionnaires.

Additionally this study used to gathers the data through interview. The study used close ended interviews are applied in order to make the space of data valid and reliable. Document review is another way of data collection through qualitative methods (Leedy &Ormrod, 2005). This technique is the most means of gathering data to make the study rich in information. The advantage of this method is to save time and also to get reliable information.

### 3.4 Target Population

The target populations of this study were all internal auditors of public budgetary organizations. From these selects the social sectors by considering the highest budget usage and Resources comparing with next to economic sectors.

The following table indicates the 2011 budget year federal government expenditure.

**TABLE – 3.4: 2011 budget year federal government summary of expenditure.**

DESCRIPTION	RECURRENT	CAPITAL	SUBSIDES	TOTAL IN BIRR
1	2	3	4	5=2+3+4
<b>Total</b>	91,675,160,588	113,635,559,980	141,604,731,380	346,915,451,948
<b>Adm. &amp; Gen. Service</b>	28,890,777,397	6,592,081,490	-	35,482,858,887
<b>Economic Service</b>	5,325,875,391	70,376,651,630	-	75,702,527,021
<b>Social Service</b>	27,260,774,800	31,196,095,360	-	58,456,870,160

**Source: 2011 fiscal year federal government budget proclamation no. 1093/ 2018.**

The number of Social Sectors is 75 as found from budget directorate of Ministry of finance. From these sectors select 15 organizations 75 respondent which are head of internal audit, one senior auditor, and heads of finance and inspection directorate members follows selected organizations.

The following table indicates the number of auditors in the three public sectors as the year of 2008 E.C

**Table 3.4.1 Number of Internal Auditors in Budgetary Public Sectors**

No	Item	No of Auditors in job position	Open Position	Total
1.	Administration & General Service Sectors	340	172	512
2.	Social Sectors	315	282	597
3.	Economy Sectors	265	210	475
	<b>Total</b>	<b>920</b>	<b>664</b>	<b>1,584</b>

Of the three categories of public sectors, 920 positions are occupied by internal auditors of Federal Government of Ethiopia: 340 auditors are from Administration & General Service, 315 are from Social and 265 from Economy sector, the rest 741 are open positions. In social sector on average to have 4 internal auditors in each some selected federal public organization. The researcher focused on only social sector because of the highest number of internal auditors in job open position.

**Source:** MOF - by Ethiopian Federal Government of Finance Administration Proc. No970/2008 Para.7 and ministry of finance inspection directorate.

### **3.4.1 Sample size**

There are 183 Federal budgetary public sectors in Ethiopia 53 are from Administration & General Service, 75 are from Social and 55 from Economy sector. (Ministry of finance - by Ethiopian Federal Government of Finance Administration Proc.No970/2008 Para.7)

Due to time constraint it is hardly possible to consider all Social sectors as the sample size of the study. Based on this fact, the study focused on 15 social sectors which are selected by using purposive sampling.

The use of purposive sampling enables generating meaningful insights that help to gain a deeper understanding of the research phenomena by selecting the most informative participants (Carver1978; Cohen 1990; Neumann 2006; Patton 1990). Accordingly 15 selected Social sector federal public organizations are purposely selected from the total populations, these are:

1. Addis Ababa University main campus head office
2. Addis Ababa science and Technology University
3. Ethiopia Civil service university
4. National educational assessment & examination agency
5. Ministry of culture and tourism
6. Ministry of Women children and youth Affairs
7. Ministry of health
8. Food medicine & healthcare administration & control authority
9. St. Paul millennium medical college
10. Ethiopia public health institute
11. Technical and vocational Education and Training institute
12. Strategic food reserve agency
13. Amanuel hospital
14. National Archive and Library Agency
15. St. peter hospital

**The reason/ criteria for selecting the above organization are:**

- a) These organizations used high budget allocated from the government comparing with the others social sector organization according to the 2011 federal budget proclamation including subsidies to the regions and SDGs.
- b) Government offers great attention for such service due to the fact that developing education and care of the human health is a key issue.
- c) The continuous adverse and disclaimer audit opinion disclosed by the general audit findings to the public (Office of Federal Auditor General from 2009). *Audit Report Summited to Ethiopian Parliament.*
- d) In the social sector federal public organization the highest number of internal auditors in open job positions (MOF 2010 E.C).

### **3.5 Methods of data collection**

This study used primary and secondary instrument data. Primary data presented by using questionnaires and interviews. A questionnaire designed for sampled internal auditors of the selected sectors. The questionnaire developed based on previous empirical literature. Questionnaires will be distributed for internal audits (i.e. heads of internal audit and one senior

auditor). In addition, to increase the credibility and validity of the data gather from internal audit, questionnaires distribute for head and senior finance and inspection directorate members. The questionnaires also structured in such away by using Likert scales of 5 points that respondents be able to answer it easily ranging from 1 "strongly disagree" to 5 "strongly agree". Furthermore close -ended interview will be conducted with audit directors/team leaders and some members of Inspection Directorate ministry of finance review of internal audits" plans and reports to collect primary data for gathering information regarding the practice, current challenges and prospects of internal auditors in performing audit activities.

### **3.6 Methods of Data Analysis**

After the data collected, it must be edited by entering into the computer by using the Statistical Package for Social Scientists (SPSS 20), and sorted for completeness, checked for any errors and Omissions, and will be summarized in tables. The data analyzed through a descriptive statistics such as frequency distribution used to assess the demographic profile of the respondent and various challenges on the quality of internal auditors in selected public sector offices. To make the analysis more meaningful, clear and easily interpretable and to provide details regarding the challenges of internal auditing the Descriptive statistics by using percentages, figures and tables generated from the software to establish relationship among variables.

## **CHAPTER FOUR**

### **4. DATA ANALYSIS AND INTERPRETATION**

#### **4.1. Introduction**

In order to analyze the mass of data that will be collected through questionnaire and, descriptive statistics will be employed. After making the necessary coding, the data in the computer analyzed by using SPSS version 20 which is specialized statistics program that can provide sufficient tools for analyzing the collected data. In descriptive statistics, frequency counts and percentage mean and standard deviation used to analyze various characteristics of the same population. This statistical tool helps to determine the relative standing characteristics such as sex, age, academic qualification and work experience. The tools used to analyze variables related to the topic under study for each variable and the findings are presented in tabular summaries, and their implications discussed.

#### 4.2. Characteristics of the Respondents

The sample respondents used in this paper are classified in to five and the structured questionnaires (attached in appendix 1) were distributed to audit director, senior auditor, finance director and senior finance of 15 purposively selected federal public organization. From the distribution of 75 questionnaires 66 questionnaires were collected 14 responses from audit directors, 14 from senior auditors, 14 from finance directors, 9 senior finance and 15 from MOF inspection directorate which gives a response rate of 88% and indicates good response rate.

**Table 4.1 Participant position**

Participant	Frequency	Percent	Valid Percent
audit director	14	18.7	21.2
senior auditor	14	18.7	21.2
finance director	14	18.7	21.2
senior finance officer	9	12.0	13.6
MOF inspection member	15	20.0	22.7
Total	66	88.0	100.0
Missing system	9	12.0	
Total	75	100.0	

Source; Analysis of Survey data 2019, using SPSS

#### 4.2 Demographic characteristic

Below are the characteristics of the respondents presented in terms of Genders, age, qualification, Profession and work experience.

**Table 4.2 Gender profile**

Gender	Frequency	Percent	Valid Percent
Male	31	41.3	47.0
Female	35	46.7	53.0
Total	66	88.0	100.0
Missing system	9	12.0	
Total	75	100.0	

**Source; Analysis of Survey data 2019, using SPSS**

As shown from the above response table 4 the number of male respondents (47.0%) was moderately lower than that of female respondents (53.0%) although there are female dominations in such sector public body both genders are involved in this study.

**Table 4.2.1 Participant age**

Age	Frequency	Percent	Valid Percent
26-30	3	4.0	4.5
31-35	16	21.3	24.2
36-40	16	21.3	24.2
41-45	15	20.0	22.7
above 45	16	21.3	24.2
Total	66	88.0	100.0
Missing System	9	12.0	
Total	75	100.0	

**Source; Analysis of Survey data 2019, using SPSS**

From the total 66 respondents, the majority of respondents were fall between the ages of 31-40 Which consists 32(48.4%), followed by, above 45 had 16(24.2%); and also between the ages of 41-45 which consists 15(22.7%) lastly fewer than 30, had 3(4.5%).

**Table 4.2.2 Qualification**

Qualification	Frequency	Percent	Valid Percent
bachelor degree	56	74.7	84.8
master degree	10	13.3	15.2

Total	66	88.0	100.0
Missing System	9	12.0	
Total	75	100.0	

**Source; Analysis of Survey data 2019, using SPSS**

As findings shown from the above table 6 regarding the qualification, from the total number of respondents 56 (84.8%) have bachelor's degree and 10(15.2%) have master's degree and there were no respondents from both categories who have diploma and doctorate degree. Therefore, this is an indication that majority of the respondents involved in this study had university degree as their highest level of education which can contribute more information on the intended work in this study.

**Table 4.2.3 Profession**

Profession	Frequency	Percent	Valid Percent
Accounting	34	45.3	51.5
Economics	7	9.3	10.6
Management	14	18.7	21.2
Statistics	5	6.7	7.6
Other	6	8.0	9.1
Total	66	88.0	100.0
Missing System	9	12.0	
Total	75	100.0	

**Source; Analysis of Survey data 2019, using SPSS**

In terms of their study, Accounting consists the highest frequency which is 34 (51.5%) followed by Management 14(21.2%), economics 7(10.6%), statistics 5(7.6%) and the remaining 6(9.1%) are other studies.

### **Professional Certification**

As their responses indicate, they had no any Professional certification ACCA, CIA, CPA, and others certification. This will indicate that there could be lack of details skills and expertise to play a significant role in performing their audit activities with global competencies.

**Table 4.2.4 Respondents experience**

<b>Respondents experience</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>
3-5 years	2	2.7	3.0
6-10 years	22	29.3	33.3
more than 10 years	42	56.0	63.6
Total	66	88.0	100.0
Missing System	9	12.0	
Total	75	100.0	

**Source; Analysis of Survey data 2019, using SPSS**

Respondents working experiences in internal auditors more than 10 years 42 (63.6%), followed by between 6-10 years 22 (33.3%), and had 3-5 years (3.0%) experience. This shows that the auditors are sufficiently experienced, but there were no respondents less than 3 years of work experience.

### **4.3. Descriptive Statistics**

This section presents the results of the descriptive statistical analyses of the data and their interpretations. The descriptive statistics used are the means and standard deviations. The main purpose of using this statistical parameter is to interpret the average response rate of respondents for each item. The respondents were to give their independent opinion on practice, challenge and Prospect of internal audit activities in the case of social sector federal public organizations.

According to Kajuju (2012), the scores of strongly agree /agree have been taken to present a Variable which had a mean score of 3.5 to 5 on the continuous Likert scale; ( $3.5 \leq S.E < 5$ ). The scores of neutral have been taken to represent a variable with a mean score of 2.5 to 3.4 on the continuous Likert scale; ( $2.5 \leq M.E < 3.4$ ). The score of disagree/strongly disagree have been taken to represent a variable which had a mean score of 0 to 2.5 on the continuous Likert scale; ( $0 \leq L.E < 2.5$ ). A standard deviation of  $>0.8$  implies a significant difference on the impact of the variable among respondents.

Despite the above range of scoring, the researcher used her judgment to classify the range of scores obtained on the continuous 5 point Likert scale as follows:-A variable with a mean scores of 3.4 to 5 have taken as strongly agree/agree on the continuous Likert scale, and a score of 0 to

3.0 as strongly disagree/disagree on the continuous Likert scale. “Any score can be assigned as long as the intensity of the response pattern is reflected in the score and the highest score is assigned to the response with the highest intensity.” (Renjit Kumar: Research Methodology, pp.161).

#### **4.3.1 Planning of internal audit in performing audit activities**

Constructed on the following statements described in table 4.3.1 has also required to set a level at which the respondents shall agree or disagree relating to planning of internal audit in performing audit activities. According to ministry of finance internal audit manual (2005G.C), the audit executive must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization’s goals and On the basis of the strategic plan the detailed annual plan should be prepared. In selected federal public organization where the survey result shows that strategic and annual audit plan is prepared but there is not implemented properly.

#### **4.3.1. Responses of related to planning in internal audit**

N o.	Statements	Response											Descriptive Statistics	
		strongly disagree		Disagree		Neutral		Agree		strongly agree		Mean	Std.Dev.	
		Fr e.	%	Fre.	%	Fre.	%	Fre.	%	Fre.	%			
1.	Strategic audit plan is well prepared our organization	3	4.5	12	18.2	6	9.1	35	53.0	10	15.2	3.56	1.097	
2.	Strategic audit plan is implemented properly in our organization	14	21.2	34	51.5	-	-	18	27.3	-	-	2.33	1.100	
3.	From the strategic audit plan Annual audit plan is prepared.	1	1.5	11	16.7	3	4.5	39	59.1	12	18.2	3.76	.993	
4.	The annual audit plan prepared is well implemented in our organization.	1	9.1	39	59.1	-	-	19	28.8	2	3.0	2.58	1.096	
5.	Detailed Audit program is prepared.	10	15.2	37	56.1	-	-	18	27.3	1	1.5	2.44	1.097	
6.	Internal Audit has adequate resources that are appropriate, sufficient and effectively deployed to	29	43.9	15	22.7	2	3.0	15	22.7	5	7.6	2.27	1.420	

**Source; Analysis of Survey data 2019, using SPSS**

As shown in table: 4.3.1 above, under ‘Strategic audit plan is well prepared and from the strategic audit plan Annual audit plan is prepared’ has a mean score of 3.56 (strongly agree/ agree 50.2%, neutral 9.1% and strongly disagree/ disagree 22.7%) and 3.76 respectively which is the least score. This indicates majority of respondents agreed with prepared strategic plan and audit plan. In addition strategic audit plan is implemented properly in selected organizations, the annual audit plan prepared is well implemented in selected organization and Detailed Audit program is prepared score (strongly agree/ agree 27.3%, neutral 0% and strongly disagree/ disagree 72.7%) 2.33, 2.58 (strongly agree/ agree 31.8%, neutral 0% and strongly disagree/ disagree 68.2%) and 2.44 (strongly agree/ agree 28.8%, neutral 0% and strongly disagree/ disagree 71.2%) respectively. Internal Audit has adequate resources that are appropriate, sufficient and effectively deployed to achieve the Internal Audit Plan mean score 2.27 (strongly agree/ agree 30.3%, neutral 3% and strongly disagree/ disagree 67.7%) This shows that strategic plan, annual audit plan do not have implement properly and the majority of the respondent do not

prepared detailed audit program. To achieve the Internal Audit Plan has lack of adequate resources.

### 4.3.2 Audit evaluation

The Internal Auditor to understanding the audit techniques and procedures like review, query and confirmation, to examine and evaluate audit evidences. And also to ensure that procedures employed are sufficient to rationally detect all material errors and irregularities for rules and regulations considering to the quality of evidences in choosing the techniques and procedures to be employed.

### 4.3.2. Response of audit evaluation

Table 10 response of related to audit evaluation

No	Statements	Response											
		strongly disagree		disagree		Neutral		Agree		strongly agree		Descriptive Statistics	
		Fre.	%	Fre.	%	Fre.	%	Fre.	%	Fre.	%	Mean	Std. Dev.
1.	We have regular supervision of audit field work	1	1.5	31	47.0	5	7.6	24	36.4	5	7.6	3.02	1.102
2.	Audit findings are supported with sufficient and appropriate audit evidences.	-	-	5	7.6	1	1.5	48	72.7	12	18.2	4.02	.712
3.	In every audit, we take adequate sample for evaluating audit evidence	3	4.5	45	68.2	2	3.0	16	21.3	-	-	2.47	.915
4.	There is discussion on audit queries feedback with a concerned body before exit meeting	-	-	1	1.5	1	1.5	51	77.3	13	19.7	4.15	.504
5.	There is a consistent and documented practice for conducting internal audit engagements and preparing working papers	4	6.1	30	45.5	4	6.1	23	34.8	5	7.6	2.92	1.168
6.	Internal auditors consider materiality issues	15	22.7	9	13.6	5	7.6	34	51.5	3	4.5	3.02	1.330

Source; Analysis of Survey data 2019, using SPSS

The response result in table 4.3.2 Audit findings is supported with sufficient and appropriate audit evidences and there is discussion on audit queries feedback with a concerned body before exit meeting mean scores 4.02 (strongly agree/ agree 90.9%, neutral 1.5% and strongly disagree/ disagree 7.6%) and 4.15 (strongly agree/ agree 97%, neutral 1.5% and strongly disagree/ disagree 1.5%) respectively. These impels that audit queries discussed from the audited before exit meeting then audit finding with sufficient evidence reported to responsible body. Internal auditors have regular supervision of audit field work and considering materiality issues scores 3.02 (strongly agree/ agree 56%, neutral 7.6% and strongly disagree/ disagree 36.4%) these impels periodic supervision is not done by head of the internal audit, because of poor sampling technic materiality issues do not considered properly. Internal auditors take adequate sample for evaluating audit evidence scores 2.47 (strongly agree/ agree 21.3%, neutral 3% and strongly disagree/ disagree 72.7%), and a consistent internal audit engagements and preparing working papers scores 2.92 (strongly agree/ agree 42.4%, neutral 6.1% and strongly disagree/ disagree 51.5%) represents internal auditors employed poor sampling technic and working papers do not implement based on internal audit manual.

### **4.3.3 Audit reporting**

In principles, after the audit examination is completed, the Internal Auditor should discuss Conclusions and recommendations at appropriate levels of management and issue a signed, Objective, clear, concise, constructive and timely written report with IIA standards. The internal audit report should be submitted to the Head of the Public Body and the ministry of finance inspection directorate.

### 4.3.3. Response of audit reporting

No	Statements	Response											
		strongly disagree		disagree		Neutral		Agree		strongly agree		Descriptive Statistics	
		Fre.	%	Fre.	%	Fre.	%	Fre.	%	Fre.	%	mean	Std. Dev.
1.	Internal audit engagement reports are distributed to management and MOF in a timely way	12	18.2	37	56.1	7	10.6	6	9.1	4	6.1	2.29	1.064
2.	Finance department reports monthly Financial report to internal auditors for audit engagement on time	13	19.7	35	53.0	4	6.1	12	18.2	2	3.0	2.32	1.084
3.	Exit conference is always made with Auditee's for discussion before the	3	4.5	11	16.7	2	3.0	31	47.0	19	28.8	3.83	1.117

#### Source; Analysis of Survey data 2019, using SPSS

As shown in table: 4.3.3 the above result internal audit reports are submitted to the top management and MOF mean scores 2.29 (strongly disagree/disagree 74.3%, neutral 10.6% and strongly agree/ agree 15.2%) , monthly Financial report to internal auditors for audit engagement on time scores 2.32 (strongly disagree/disagree 72.71%, neutral 6.1% and strongly agree/ agree 21.2%) and Exit conference made with Auditee's for discussion before the report is disclosed scores 3.83(strongly disagree/disagree 21.2 % , neutral 3% and strongly agree/ agree 75.8%).

This result shows that do not on time submission of audit reports and financial report for the top management and MOF inspection directorate and government financial directorate. But exit conference is always made with auditee, discussion of the draft report then write and out the final report.

#### 4.3.4 Audits follow up result

Follow-up is a monitoring and feedback activity undertaken to ensure the extent and adequacy Of preventive/corrective actions taken by the Management to address the inadequacies identified during the audit. It aims to increase the probability that recommendations will be implemented.

#### 4.3.4. Response of related to audit follow up result

No	Statements	Response											
		strongly disagree		disagree		Neutral		Agree		strongly agree		Descriptive Statistics	
		Frc.	%	Frc.	%	Frc.	%	Frc.	%	Frc.	%	mean	Std. Dev.
1.	Management set action plan and follow up to take corrective action on the audit finding	11	16.7	38	57.6	3	4.5	14	21.2	-	-	2.30	.992
2.	The internal auditors establish periodic follow up process to ensure that corrective action have been effectively implemented	8	12.1	42	63.6	5	7.6	11	16.7	-	-	2.32	.914
3.	Management takes correctives action on the external audit findings /OFAG report/ on time.	16	24.2	34	51.5	2	3.0	12	18.2	2	3.0	2.24	1.11

**Source: Analysis of Survey data 2019, using SPSS**

The response result in table 4.3.4 the above indicates that Management set action plan and follow up to take corrective action on the audit finding mean score 2.3 (strongly disagree/disagree 74.3%, neutral 4.5% and strongly agree/ agree 21.2%), To establish periodic follow up process ensure that corrective action effectively implemented scores 2.32 (strongly disagree/disagree 73.7%, neutral 7.6% and strongly agree/ agree 16.7%) and Management takes correctives action on the external audit findings /OFAG report/ on time scores 2.24 (strongly disagree/disagree 75.7, neutral 3% and strongly agree/ agree 21.2%) . Management do not set action plan and follow up to take corrective action on the audit finding. All of the above item respondent responses are shows a big problem which have in the social sector public organization in audit follow up result.

### 4.3.5 Independency of internal audit

An independent audit provides a necessary external check on the integrity of financial Statements. Auditor’s independence is important in the context of audit quality because the Independent audit is critical to the credibility and integrity of financial statements. A lack of Independence impairs an auditor’s ability to exercise objective audit judgments and affects confidence in the audit process.

#### 4.3.5. Response of related to independency of internal audit

No	Statements	Response										Descriptive Statistics	
		strongly disagree		disagree		Neutral		Agree		strongly agree		mean	Std. Dev.
		Fre	%	Fre	%	Fre	%	Fre	%	Fre	%		
1	Internal auditors have unrestricted access to all departments and employees in the organization.	12	18.2	35	53.0	3	4.5	16	24.2	-	-	2.58	1.053
2	All internal audit members feel free to include any audit finding in their audit work and report directly to the responsible body	13	19.7	39	59.1	-	-	13	19.7	1	1.5	2.24	1.039
3	Internal audit can freely access any necessary documents, information and data about the process under investigation and hence always acknowledged	12	18.2	35	53.0	3	4.5	16	24.2	-	-	2.35	1.045
4	Internal auditors are independent of management influence in exercising	5	7.6	42	63.6	4	6.1	15	22.7	-	-	2.44	1.04

**Source: Analysis of Survey data 2019, using SPSS**

As shown in table: 4.3.5 the above result internal audit independency internal auditors have unrestricted access to all departments and employees in the organization mean score 2.58 (strongly disagree/disagree 71.2%, neutral 4.5% and strongly agree/ agree 24.2%), All internal audit members feel free to any audit finding in their audit work and report directly to the responsible body score 2.24 (strongly disagree/disagree 78.8%, neutral 0% and strongly agree/ agree 21.2%), it can freely access any necessary documents, information and data about the process under investigation and hence always acknowledged score 2.35 (strongly disagree/disagree 71.2%, neutral 4.5 % and strongly agree/ agree 24.2%). And internal auditors are independent of management influence in exercising auditing-related decision core 2.44

(strongly disagree/disagree 71.2%, neutral 6.1% and strongly agree/ agree 22.7%). All of the above item respondent responses are shows that independence is not a big issue somewhat there is some problem related to independency. Recently amended financial administration proclamation No 647 which made the head and professional staffs of internal audit of public bodies shall be accountable to the minister of finance. But this proclamation is not implemented properly. Independence and objectivity of internal auditors in determining their audit scope, and performing their audit process with in the interference of management.

As specify miscellaneous question response result independency a basic issue in to day in selected organization say yes 60.6% and no 39.4% respectively. These indicate the majority of the respondent result in a significant progressive change in the independency of internal auditors in determining their audit scope, and performing their audit process without the interference of management. MOF after the amendment of new directive about internal auditor’s proclamation no. 47/648 it is not basic issue while the implementation of the proclamation is not attractive.

**Bar chart 4.3.5.1 independency a basic issue in to day in selected organization**

**Source: Analysis of Survey data 2019, using SPSS 20**



**Note: 1= yes, 2= no**

### 4.3.6 Competency of internal audit

In principle internal auditing is responsible and accountable for assisting in the deterrence of fraud by examining and evaluating the adequacy and the effectiveness of control, appropriate with the extent of the potential exposure/risk in the various systems of an entity's operations in this implement it needs full competency of internal auditors.

**Table 4.3.6 response related to audit competency**

The response result in table 4.3.6 the above indicates the minimum level of skill, knowledge and experience required by internal auditor and the Head of Internal Audit is not fulfilled score 2.29 (strongly disagree/disagree 74.3%, neutral 7.6% and strongly agree/ agree 18.2%). Internal auditors do not have full competency in skill& knowledge in evaluating audit evidence score 2.44 (strongly disagree/disagree 75.8%, neutral 4.5% and strongly agree/ agree 19.7%). Internal auditors possess adequate experience in carrying out audit process adequate experience in carrying out audit process score 2.25 (strongly disagree/disagree 65.1%, neutral 1.5% and strongly agree/ agree 33.3%).

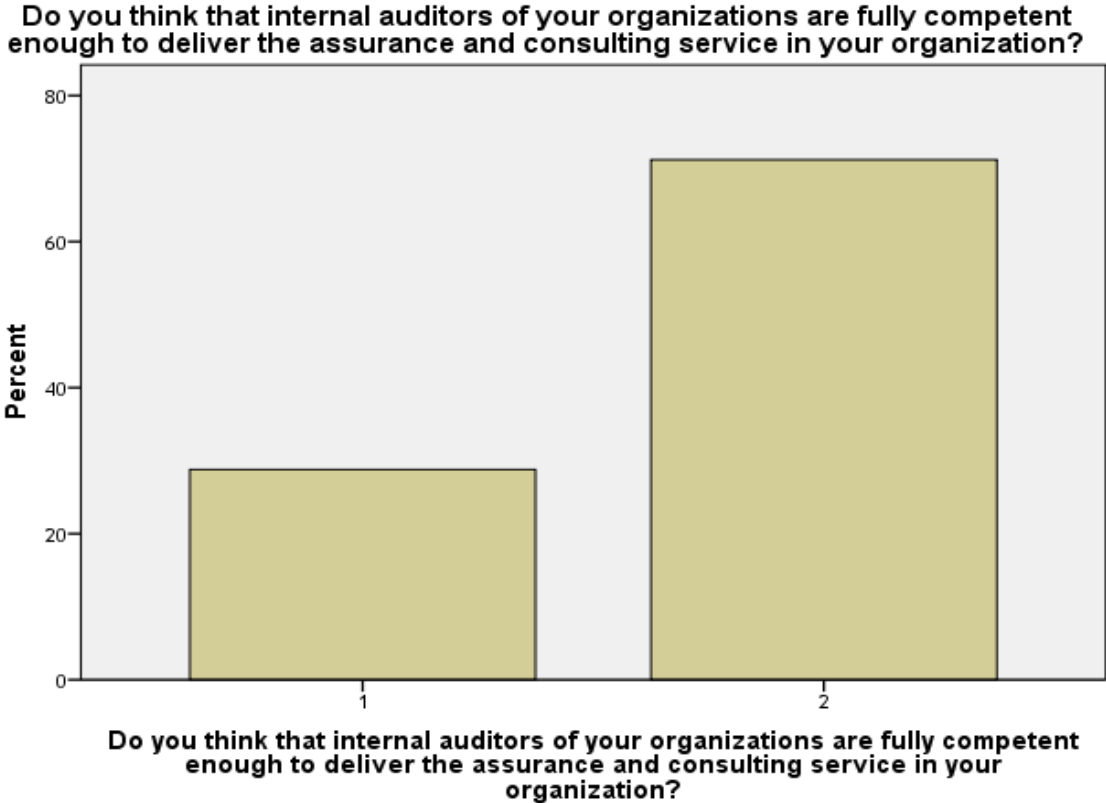
### 4.3.6. Response of related to audit competency

N o	Statements	Response											
		strongly disagree		disagree		Neutral		Agree		strongly agree		Descriptive Statistics	
		Fre.	%	Fre.	%	Fre.	%	Fre.	%	Fre.	%	Mean	Std. Deviation
1.	The minimum level of skill, knowledge and experience required by internal auditor and the Head of Internal Audit is not fulfilled.	10	15.2	39	59.1	5	7.6	12	18.2	-	-	2.29	.941
2.	Internal auditors do not have full competency in skill& knowledge in evaluating audit evidence	-	-	50	75.8	3	4.5	13	19.7	-	-	2.44	.806
3.	Internal auditors possess adequate experience in carrying out audit process	7	10.6	36	54.5	1	1.5	22	33.3			2.58	1.068

Source: Analysis of Survey data 2019, using SPSS

As the response obtained from the miscellaneous question show the bar chart below internal auditors of the organizations are fully competent enough to deliver the assurance and consulting service in the organization majority of the respondents says no 71.2% and 28.8% yes. This result indicates directors of internal auditors they believe that waiting for a long time at one place as an auditor; make the auditor more Knowledgeable in the field. Audit value would be highly affected by lack of experience. Inspection directorate also said that, “without experience, auditors will not understand and interpret the Procedures and laws of auditing process effectively”, and they added that “An internal auditor with an experience can easily consider an error or fraud committed by another party or person”. But our internal auditors these are not full fell and the majorities its carelessness for the audit value and consulting activities.

**Chart 4.3.6.1 internal auditors fully competent to deliver the assurance and consulting activities**



Source; analysis of survey data 2019 spss20

Note: 1= yes, 2=no

### 4.3.7 Working environment/job satisfaction

The below shows participants responded to questions relating to working atmosphere of internal Auditor in performing audit functions.

#### Table 4.3.7 response related to audit job satisfaction

Based on the data collected from the respondents, revealed that, there is no special benefit given for internal auditors for their unique contribution in social sector budgetary public organization as shown by a mean scores 1.64 (strongly disagree/disagree 95.5%, neutral 0% and strongly agree/ agree 4.5%) and participating travel opportunities for internal auditors to conferences, audit work, training etc. which enable them to upgrade their skill and knowledge in such budgetary public organization a mean scores 2.39 (strongly disagree/disagree 60.6%, neutral 3% and strongly agree/ agree 31.8%). Internal auditor's recommendations are recognized and acted on by management scores 2.58 (strongly disagree/disagree 65.1%, neutral 3% and strongly agree/ agree 31.8%).

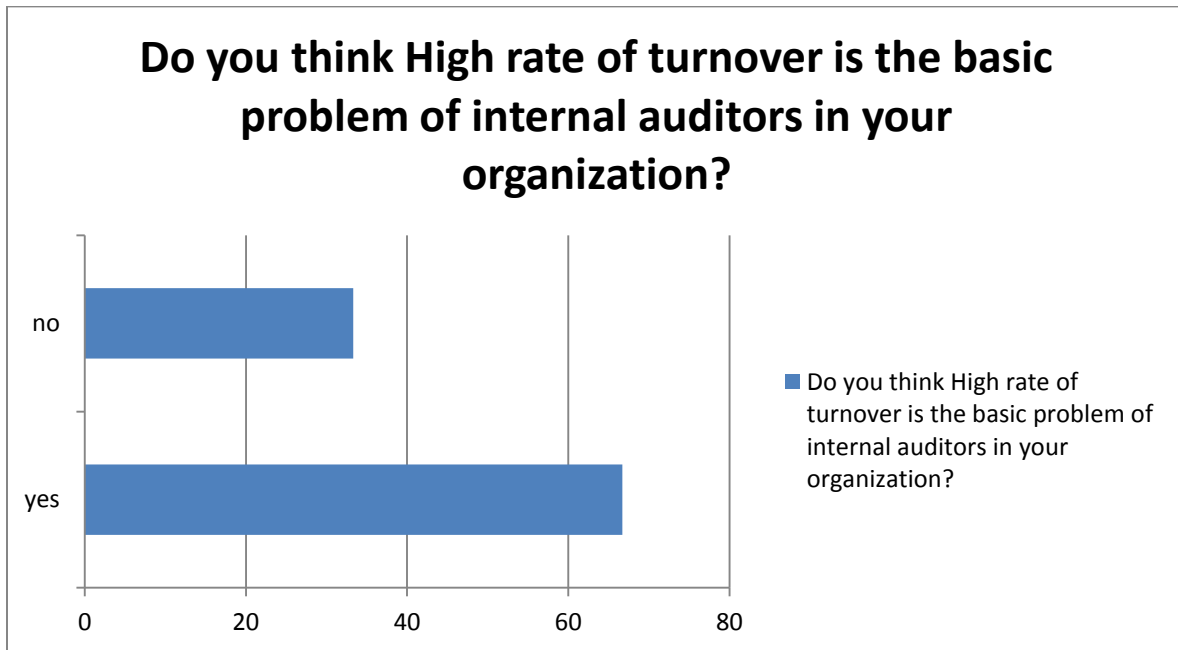
#### 4.3.7. Responses of related to audit job satisfaction

No	Statements	Response										Descriptive Statistics	
		strongly disagree		disagree		Neutral		Agree		strongly agree		Mean	Std. Dev.
		Fre.	%	Fre.	%	Fre.	%	Fre.	%	Fre.	%		
1.	There is special benefit given for unique contribution in your institution.	30	45.5	33	50.0	-	-	3	4.5	-	-	1.64	.715
2.	There are participating travel opportunities to conferences, audit work ,training etc.	18	27.3	25	33.3	2	3.0	21	31.8	-	-	2.39	1.201
3.	Internal auditor's recommendations are recognized and acted on by management.	1	10.6	36	54.5	2	3.0	21	31.8			2.58	1.053

Source; analysis of survey data 2019 spss20

These indicate that internal auditors do not have good working conditions rather it discourages them in performing their jobs. It was confirmed by the respondents that there is no equal payment & grade among internal auditors, no special benefit given to motivate them for their unique contribution. No travel opportunities for internal auditors to conferences, audit work training etc. in the social sector budgetary public organization.

**Chart 4.3.7 High rate of turnover is the basic problem of internal auditors**



**Source; survey data 2019**

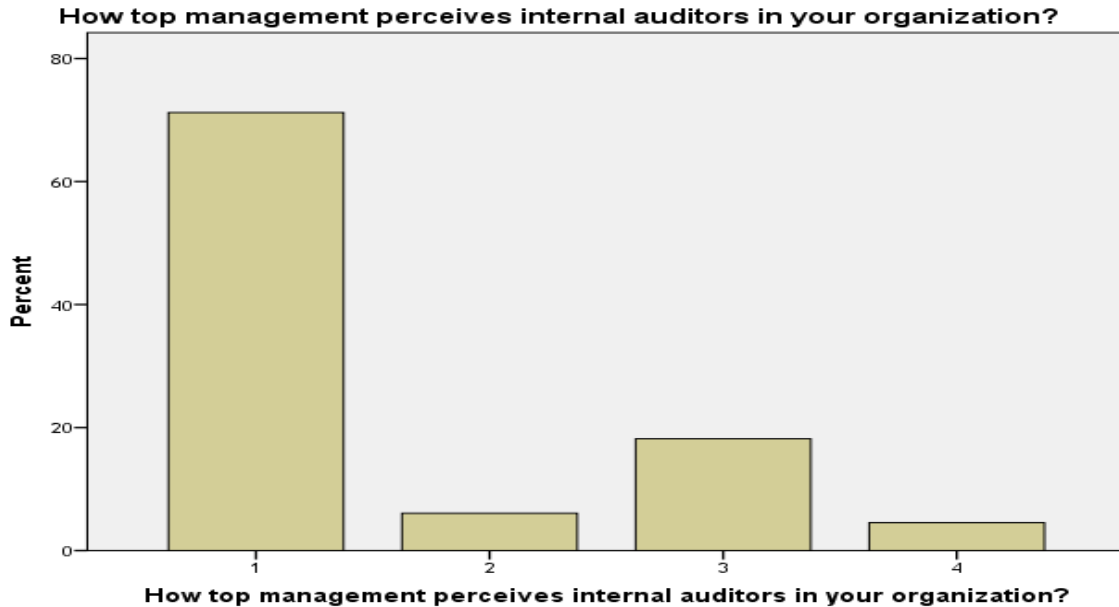
As the response obtained from the miscellaneous question pie chart show the above High rate of turnover is the basic problem of internal auditors in social sector public organization majority of the respondents says yes 66.7% and 33.3% no. This result indicates turnover of the competent and well experienced accounting professional staff from the organization is one of the challenges of the audit work.

#### **4.3.8 Top management perceives internal auditors**

As the response obtained from the miscellaneous question show the bar chart below indicates top management perceives internal auditors in the organization as consider fault finders 71.2 %, As a visionaries / future oriented/ 6.1%, which can add values to the organization 18.2% and As a preventive role before problems has happened 4.5%.

In general, the survey result above concludes that, the majority responses managements and staff attitudes is in such social sector budgetary public organization recognizes internal auditors as a fault finders and the others some which can add values to the organization.

**Chart 4.3.8 Top management perceives internal auditors**



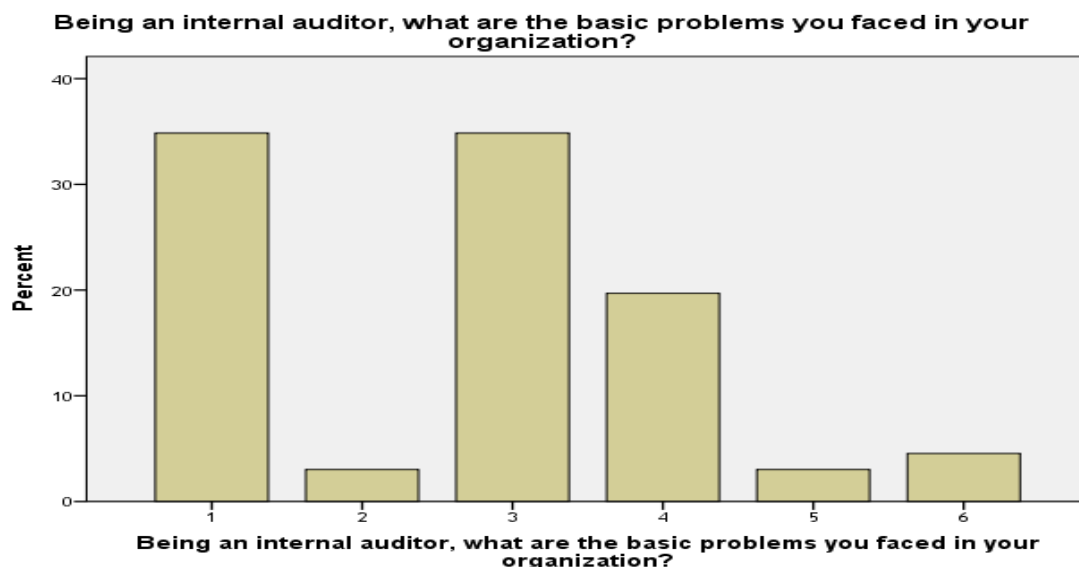
**Source; analysis of survey data 2019 using spss20**

**Note: 1= fault finder, 2= visionary, 3= can add value, 4= preventive role**

**4.3.9 Faced internal auditors basic problem in the organization**

As the response obtained from the miscellaneous question show the bar chart below indicates Staff shortage 34.8%, Accounts Staff is not cooperative 3%, Management is not supportive 34.8, Lack of awareness and training 19.7%. Lack of communication skill 3% and Lack of team work 4.5%. As compare to each variables majority of the respondents reveal that staff shortages and Management is not supportive are the main basic problems internal auditors, although, lack of awareness & training is also considered as a gap in doing the audit process. Moreover lack of communications and management cooperativeness had observed in the result.

**Chart 4.3.9 Faced internal auditors basic problem in the organization**



**Source; analysis of survey data 2019 using spss20**

**Note: 1= staff shortage, 2= accountant staff not cooperative, 3= management is not supportive, 4= Lack of awareness and training, 5= Lack of communication skill, and 6= Lack of team work**

Statement	no	min	max	mean	Std. dev.
Being an internal auditor, what are the basic problems you faced in your organization?	66	1	6	2.67	1.439
Do you think independence is a basic issue today in your organization in performing audit engagement?	66	1	2	1.39	.492
Do you think that internal auditors of your organizations are fully competent enough to deliver the assurance and consulting service in your organization?	66	1	2	1.71	.456

Do you think High rate of turnover is the basic problem of internal auditors in your organization?	66	1	2	1.33	.475
How top management perceives internal auditors in your organization?	66	1	4	1.56	.947

**Table 4.3.10 summary of miscellaneous question response of internal audit descriptive Statistics**

**Source; analysis of survey data 2019 using spss20**

The above survey result in Table 4.3.10 summary of miscellaneous question response of internal audit descriptive statistics above mean score confirm that high rate of auditors turnover and internal auditors of your organizations are fully competent enough to deliver the assurance and consulting service the basic challenges in social sectors, top management perceives internal auditors as fault finder, Being an internal auditor, internal auditors basic problems that staff shortages and Management is not supportive, independence is a basic issue today in your organization mean result shows that now in the progress stage.

**4.4 Reliability and Validity**

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

The Cronbach’s alpha for data collected for the current practice and challenges of internal auditors in performing audit activates (planning, evaluation, reporting, follow-up result, independency, competency, working environment / job satisfaction) is 0.754 (75%) percent acceptable.

**Table 4.4.1: Reliability Analysis**

Cronbach's Alpha	NO.of Items
.754	28

**Source: Analysis of Survey data 2019, using SPSS 20**

Based on the following Table 4.4.1, the overall value for Cronbach's Alpha ( $\alpha$ ) coefficient for expected scale item of this study shows that 0.758 for all variables, which is greater than 0.60. Therefore, the responses generated from all variables in this study were very acceptable (reliable) for data analysis.

#### 4.4.2 Item-Total Statistics Reliability Analysis

**Table 4.4.2: Item-Total Statistics**

Variables	Number .of Items	Cronbach's Alpha coefficient for variables
Planning	6	.872
Evaluation	6	.766
Reporting	3	.807
Follow up result	3	.856
Independency	4	.764
Competency	3	.621
Job satisfaction	3	.619

**Source: Analysis of Survey data 2019, using SPSS 20**

To test the reliability of each variable, SPSS software was used and the results presented. As shown in Table 4.4.2, for the reliability test Cronbach's alpha coefficients for the internal audit practice and challenges the range from 0.619 to 0.872 the study reliability of data is acceptable.

#### 4.5 Interview response

The study data collection through 5 interview question for internal audit director, MOF inspection directorate director and annual plan and report follows of inspection directorate officer of selected public organization the question related to Current practice and Challenges of internal auditors in performing audit activities with related to audit planning, implementation/

evaluation, reporting and follow up audit result, Independence, competency , job satisfactions and others support the accuracy of close ended questioner.

- a. The interview responses in planning of internal audits are prepared but lack of human power in terms of number and skill. prepared their annual plan based on risk identified risk based area that have been identified by risk management led by the public body through the internal audit could not get the identified risk internal auditors simply copy the past year plan, signed and approved by the head of the public body he could not take under the image of plan, the top management is assigned in most of the organization have lack of awareness for internal audit roll, importance and objective to achieve the goal of the organization.
- b. In annual plan implementation top management and other staffs internal auditors as considered to fault finder and also the capacity, ability, commitment and skill are limited and their audit plan is not as expected to add value of the performance of the organization.
- c. In the case of audit evaluation internal auditor's lack of the understanding of the techniques and procedures such as inspection, enquiry and confirmation, to examine & evaluate audit evidences. On the side of the Auditee recording financial report do not finish on time because of these late the report submitted the responsible body and internal audit. The other problem audit performance evaluation is related with competency it is not properly inspect, adequate sample and have clear query with in evidence. Do not consult the auditee before the findings are happening.
- d. Interview response reveal that audit report, before Exit conference discussed on the finding from the auditee it takes time exit conference is needs top management, management is not support the audit conference it absent because of many reasons. On the other hand finance department to implement new financial recording system which is integrated financial management system (IFMS) the organization accountant do not competent to full fill this system so financial report is not submitted on time ministry of finance and internal audit department. This report delays problem management does not take corrective action on time. The newly amended financial administration penalty proclamation No 648 punishment directives is not implemented by MOF which penalize those who delays the reports enhance early

submission of audit reports and their findings take corrective action. Internal audit reporting show that are not prepared as per the MOF standard it lacks clarity, and reliability of the overall structure of the reports., and also there is some limitation imposed by managements not to includes material audit findings in the reports in such sector public bodies.

- e. On the circumstance of reporting and follow up audit result interview response has also indicated that, taking corrective actions by the management is a long time problems of the organizations. Finance department and the other auditee un able to react the audit recommendations on time and the management do not support set action plan and follow up to take corrective action on the audit findings of internal auditor and general auditor. Most of the top management is focused political issue ignore public finance problem and audit finding.
- f. Audit activities with related to independency has also indicated that Ministry of finance inspection directorate to aware the management role of internal audit function, used to detect the organization errors before exiting General auditors and to minimize the organization risks. They also confirm the activity of internal audit should be done without interference by the top management under audit activates especially in the phase of reporting. The report result and the credibility of financial statements depend on the independence of internal auditors. But it has progress after amendment of new directive about internal auditor's proclamation no. 47/2009. MOF inspection directorate in 2010 created human resource department which follows all federal public organization internal auditors. This directorate is more focused on turn over to full fill the open position. Which cams the internal auditors independency problems are not minimized. The new directive is set on the paper do not properly implement.
- g. Internal audit competency the response inspection directorate most internal auditors have competency problem ( skill, knowledge) how to write audit finding and audit report , the audit procedures the way how to write finding lack of awareness with internal audit manual and write internal audit report based on procedure. And also internal audit training in audit staff is limited do not cover all the safe, again and

- again audit director only participated in the training, MOF human resource directorate properly identified attend training or not is clearly not stated. These problem don't eliminate and the auditors to update their skills, to examine the objectives of auditing, to provide reliability of the report is challenging.
- h. The organization did not pay sufficient salary to internal auditor employs there is no other motivational benefit so that the auditor find the other opportunity to survive his life. They have no confer table working condition intense of management and other staff ignore internal auditor. With all this facts it can be emphasized that internal auditors could not play a significant role in performing audit functions.
  - i. Motives of internal auditors enables to do properly the audit function as the interview response the responsible body should be responsible use the mandate of the proclamation. In addition to this participate audit conference, get refreshment training, educational training minimize conducive working environment, compensation salary pay the same all of public origination salary.

#### **4.6. Document Analysis**

As the same time the researcher analysis in addition to find further information to questioners and interview. There for according to the document review (MOF, 2017- 2018 and annual report on the empirical review Sintayehu, k (2019).

The same as the response of questioner and interview according to 2017-2018 MOF inspection directorate report review annual audit plan report and quarterly financial audit report they do not submitted on time from the evidence of document review.

- a. Public organization to take corrective action more focused on financial recording error rather than cash shortage, long term receivable and expenditure evidence document. These are critical issue in MOF.
- b. The review data MOF training schedule and attend the training internal auditors, the training schedule shows annually three quarter training for fresh entry in the audit staff at Civil Service University. These is good for fresh entry but head of internal auditor and senior auditor there is no refreshment training and also MOF, ERCA, and other public body amend any proclamation secular and other

supporting document for internal audit activities have no training and the new information have not received in short time.

- c. MOF inspection directorate filed work supervision for internal auditors follow up list shows that there is no continuous support and to minimize lack of performance audit activities. As my experience internal auditors it needs to continuous supervision and support any professional problem and to improve the internal audit performance.
- d. MOF internal audit training module is not updated based on current rule, regulation and proclamation. And also current financial recording system (IFMS) and others recent amendment are included and modified the training module.
- e. More of the internal audit findings are focused on purchasing on procurement like proforma purchasing method, one supplier direct purchasing method without bidding process. They are ignoring the purchasing rule and regulation. These are critical case and the responsible body more focused on purchasing rule implementation. Public organization finance and purchasing department aware of the rule and regulation, proclamation especially top management of the public body.

#### **4.7 Prospect of internal auditors in performing their audit function**

From the interview conducted with the management of the 15 federal public organizations and from document review the researcher learned that, internal audit plays essential role in assessing proper utilization of government spending budget.

In social sector federal public organization are expected to be using current technologies and new financial recording systems (IFMIS). They need to adjust their audit work to the new ways in which government operates and align their audit methods and standards accordingly. The new technologies and systems are adopted and used by MOF and social sector federal public organization.

Many government organizations face common challenges, based on similar research in economic sector Sintayehu k, (2010) internal auditors learning from each other have a great value and MOF more focused on these challenges. MOF and other responsible body cooperate with various audit institutions found in and out of the country.

Social sector internal auditors shall be adequately paid and trained. To ensure high quality of work, MOF to ensure the continuous development of internal audit staff and it needs to employ qualified staff, remunerate them adequately and secure their government spending's of public money.

Workings with Medias are a great roll and increasing the awareness of the public can help in reducing the challenges related to audit planning, audit evaluation, audit reporting and follow up, job satisfaction, Competency and independency through data collection expectation gaps.

## **CHAPTER FIVE**

### **5. SUMMARY OF FINDINGS, CONCLUSIONS &RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter presents summary of major findings of the research, conclusion and suggested recommendations to solve the challenge of internal audit and to assess the perspective of internal audit in case of social sector public organization. This study was carried out in 15 budgetary public organizations. The data were collected through the use of questionnaires; interviews and the research paper used descriptive survey. 28 closed ended questions with liker scale, 6 open ended and interview questions were developed to guide the study audit director, senior auditor, finance director, senior finance and Ministry of finance inspection directorate. All questions were analyzed by using descriptive statistics SPSS 20 version software.

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

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

- a. The General information showed that majority of the respondents were female respondents (53.0%) was moderately lower than that of male (47.0%) respondents although there are female dominations in such sector public body both genders are involved. The majorities of respondents were fall between the ages of 31-40 (48.4%), followed by, above 45 had 16 (24.2%); and also between the ages of 41-45 (22.7%) lastly fewer than 30, had (4.5%). The qualification of respondents (84.8%) have bachelor's degree and (15.2%) have master's degree and there were no respondents from both

categories who have diploma and doctorate degree, they had no any Professional certification. working experiences in internal auditors more than 10 years (63.6%), followed by between 6-10 years (33.3%), and had 3-5 years (3.0%) experience. the auditors are sufficiently experienced there were no respondents less than 3 years of work experience.

- b. About on **audit planning**, detailed annual audit plan and audit work program mean value 2.58 and 2.44 respectively shows annual audit plan is prepared but it is not implemented, audit working program is not prepared. Internal Audit had no adequate resources that are appropriate, sufficient and effectively deployed to achieve the internal audit plan mean value 2.27. Similarly research findings Sintayehu k. (2018) indicate that audit planning not prepared as per the standards and not done on time.
- c. With respects to **audit evaluations**, Periodic supervision mean value 3.02 shows is not done by head of the internal audit, In every audit do not take adequate sample for evaluating audit evidence mean value 2.47 and there is also lack of consistent documented practice in conducting audit engagement and preparing working paper mean value 2.92. Similarly research findings Sintayehu k. (2018) indicate that internal auditors are fails to consider materiality issues, periodic supervision is not done by head of the internal audit and do not preparing working paper in economic sector budgetary public organizations.
- d. With related to **audit reporting** mean value 2.29 revealed that internal audit reports are not prepared as per the standards, it lacks clarity, and reliability of the overall procedures of the reports, and also not summited on time. Similarly, research finding by Mihret and Yismaw, (2007) indicated that the auditors feel that the university does not sufficiently utilize audit reports and the management's response to the internal audit findings and recommendations is generally not adequate.
- e. With respect to **audit follow up**, mean value 2.30 & 2.24 revealed that management not set action plan and take correctives actions on the internal and external audit findings, specially the MOF quarterly reports. And also there is no periodic follow up process to corrective action. Similarly research findings Sintayehu k. (2018) indicates that top management take corrective action and set action plan only general auditor audit findings in economic sector federal public organization.

- f. As regards to **competency**, mean value 2.29 shows internal auditors they don't have full competency in skill and knowledge at the level in which the professions demands to be ,they could not understand audit manual, finance policy, rule and regulation, proclamation the way how to write internal audit. Similarly Agumas Alamirew (2015), the finding reveals that competent staff, compliance with professional audit standards and sufficient funding is positively related with the control function of internal audit.
- g. With related to **audit independency**, mean value 2.24 & 2.35 indicate the majority of the respondent result in shows that independence is not a big issue but somewhat there is some problem related to independency. All internal audit members do not feel free to include any audit finding in their audit work, access any necessary documents, information and data about the process and report directly to the responsible body. Similarly research findings by Hailemariam, (2014), based on questionnaire response from internal auditor officers and manager, working in Ethiopian public sectors office, suggests organizational independent of internal auditors were positively related with the internal audit effectiveness. But research findings Sintayehu k. (2018) revels that independency of internal audit is not the challenges of audit function over all activities.
- h. In case of **working conditions/ job satisfaction** of internal auditors, mean value 1.64 shows majority of the respondents no special benefit given to motivate them for their unique contribution. Furthermore, mean value 2.39 & 2.58 there were No travels opportunities for internal auditors to conferences, audit work, training etc. and internal auditor's recommendations are not acted on by management. Similarly research findings Sintayehu k. (2018) indicates there is no good working conditions majority of top management and auditee are believes that internal auditors as fault finders not value add the economic sector federal public sector organization.
- i. Majority of the respondents reveal that **staff shortages** 60.6% in the audit department and Management is not supportive 39.4% to internal auditor are basic problems internal auditors, although, lack of awareness & training is also considered as a gap in doing the audit process. Similarly, research finding by (Hailemariam, 2014) based on questionnaire response from internal auditor officers and manager, working in Ethiopian public sector office, suggests that the management support contributed for the internal audit effectiveness in the public sector significantly and positively.

### 5.3 Conclusion

Based on the above major findings and data analysis of the study, the following conclusions are drawn.

- a. As the International Standards for the Professional Practice of Internal Audit Standards The chief audit executive must establish a risk-based plan to determine the priorities of the internal audit activity, must establish policies and procedures to guide the internal audit activity consistent with the organization's goals, and must ensure that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan. The study reveals Internal auditors prepare strategic and annual audit plan, Audit staff of the social sector budgetary public organization do not prepare detailed audit work programs and lack of resources during the engagement. And also internal auditors annual audit plan is not properly implement.
- b. Internal auditors must base conclusions and engagement results on appropriate analyses and evaluations. The study reveals relating to audit evaluation had reveals challenges to audit implementation in performing audit function. internal auditors are fails to consider materiality issues in conducting audit engagements, which hide the internal audit not to see the big images of the organization, and also periodic supervision is not done by head of the internal audit, there is lack of consistent documented practice in conducting audit engagement and preparing working paper in social sector budgetary public organizations which has an adverse effect on the result of an audit engagements.
- c. As principles, internal audit reports should be objective; objective reports are factual, unbiased and free from misrepresentations. Findings, conclusions and recommendations should be included in the report without bias. According to the study reveals audit staffs are not prepared their audit report as per the standards it lacks clarity, and reliability of the overall structure of the reports, and also there is no submitted on time for the responsible body.
- d. Based on the recent internal audit administration proclamation competent leadership is very important for internal audit the study noted that there is lack of competent leadership in social sector public organization. Management not set action plan and take correctives actions on the internal and external audit findings, specially the MOF quarterly reports.

And also there is no periodic follow up process to corrective action. The top management lack attentions, knowledge, positive outlook for internal audit are a critical challenge.

- e. Internal auditors must have sufficient knowledge to evaluate the risk of fraud and the manner in which it is managed by the organization. The study reveals that most important challenge of performance audit includes lack of knowledge, skill and experience in conducting internal audit.; lack of properly identifying high risk area and developing evaluation criteria; Lack of proper documentation from the auditee side and Lack of clearly identifying the accountable body, and they could not understand audit manual, finance policy, rule and regulation, proclamation the way how to write internal audit are highlighted.
- f. Professional indecency is the main pillar for performance for undertaking objective and impartial performance the work of internal auditor activities but the study finding shows that the top management of the public organization interferes in, internal auditors do not feel free to include any audit finding in their audit work, access any necessary documents, information and data about the process.
- g. The evidence indicates that internal auditors the most common challenge of internal audit is in availability of sufficient manpower, inadequacy of compensation paid for auditor, and non-availability of other resource (vehicle, office equipment and supplies). And do not have good working conditions rather it discourages them in performing their jobs.
- h. The survey result also reveal that, there are staff shortages, lack of awareness/training on different proclamation, rules & regulations, and recognizing internal auditors as fault finders by management and staff, rather than providing the consulting & assurance service are the main basic challenges internal auditors.

#### **5.4 Recommendations**

On the basis of the findings obtained and the conclusion drawn, the following recommendations were suggested.

- a. The researcher recommend about audit planning that annual audit plan is prepared and implement risk assessment should be done as part of audit planning and also internal audit plan should be based on their organizational risk profile. From annual plan to achieve audit objectives of each assignment it is essential to develop an audit program.

Audit program serves as a guide for the actual audit based on planning and provides a means of monitoring and controlling the progress and completion of the audit. It also helps as a basis for assigning each aspect of the audit assignment. In addition, it provides a record of the work done. Top management and MOF are responsible for administrative accountability for internal Audit had adequate resources that are appropriate, sufficient and effectively deployed to achieve the internal audit plan.

- b. Audit evaluation should be provide filed Supervision by head of IA will ensure that audits are conducted as planned or not are approved; In every audit take adequate sample for evaluating audit evidence based on internal audit manual appropriate audit techniques are used and audit findings, conclusions and recommendations are adequately supported by relevant and sufficient evidence. And also in conducting audit engagements the auditor should obtain consistent documented practice in conducting audit engagement and preparing working paper.
- c. Audit reporting & follow up: internal audit reports should be factual, unbiased and free from distortion. Findings, conclusions and recommendations should be included in the report without bias or management interferes submitted to responsible body on time. Management set action plan and take correctives actions on the internal and external audit findings. Internal auditors periodic follow up include audit plan and to follow the process to take corrective action or not. And also legal enforcements to bring accountability from penalizing in terms money up to resigning the position of top management for those who does not take corrective action on the given period of time according to the amendments of government financial proclamation No648/2008, most of the time managements are unwilling to take corrective actions on the basis of audit recommendations and there is also a gap to implement the legal frame work . Therefore the study recommends that managements should take corrective actions if not legal enforcement should be exercised by MOF par lama (HPR) and other responsible body.
- d. Audit competency: internal audit staffs suffer from lack of skilled and sufficient manpower. Thus, the public organization and responsible body need to provide skilled and sufficient manpower for strengthen the internal audit practice and minimize this challenge.
- e. Audit independency interference of top management in internal audit activates severely affect the effectiveness of internal audit in bring positive change in performance of any given

public organization. Thus, the management interference should be avoided. To delivery important of internal audit for top management and auditee.

- f. Maintain working environments/ job satisfaction to create good working conditions, there should be availability of sufficient manpower, adequacy of compensation paid for auditor, and availability of other resource benefit packages (vehicle, office equipment and supplies). And encourages them in performing their jobs.

### **5.4.1 Future study**

The researcher encourages further research to extend the results of this study and improve the results by minimizing the limitation of the study. Therefore, the researcher suggests the following future research areas:

1. Selecting additional determinants of internal audit challenges which are not mentioned in this study help to give more emphasis in this study;
2. selecting respondents from other areas (out of Addis Ababa social sector public organization ), will enhance the reliability of this study
3. Broadening this study by including other sectors (Administration and economy) will make this study more validate.
4. Extending this study by consideration another staff of the organizations MOF, OFAG and sample used public organization top management (management of administrative affairs finance managers, and CEO of the organizations in addition of IAD staff) will extend the conclusion of this study.

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# Appendix

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

**Introduction**

Dear respondents this questionnaire is made to collect data on practices, challenges and prospects of internal auditors in performing audit function in social sector public organization. The data to be collected through the questionnaire is highly valuable to meet the objectives of this study. Therefore, you are kindly requested to fill in and return the questionnaire. The information you supply would be used for academic purpose only and will be kept confidential.

Thank you in advance,

**Researcher address:**

Name: Genet Shewafera    Mobile: 0913746307    Email: [genetfb@gmail.com](mailto:genetfb@gmail.com)    A. A/Ethiopia

**I.      General information**

1. Name of your Organization: \_\_\_\_\_
2. Department where you are working: \_\_\_\_\_
3. Job position you are assuming: \_\_\_\_\_
4. Your:
  - a. Gender:    Male                       Female
  - b. Age (in Years):    Less than 25     26 – 30        31 – 35

- 36 – 40  41 – 45  above 45
- c. Qualification: Diploma  Bachelor Degree  Master Degree
- d. Profession: Accounting  Economics  Management   
 Statistics  Other (Specify): \_\_\_\_\_
5. Do you have a Professional Certification? Yes  No
6. If your answer to Q5 is “Yes”, what is it? (more than one answer is possible)
- a. ACCA
- b. CPA
- c. CIA
- d. Other, (specify) \_\_\_\_\_
7. Work experience as internal auditor (in years)
- a. Less than 3
- b. 3 – 5
- c. 6 – 10
- d. More than 10

## II. Main body

### 1. Questions regarding on practice challenges and prospects of internal audit activities/ audit process/

This study five Likert scale question is chosen which is used to measures respondents agreements with variety of statements. Put a tick (X) on the extent to which you find the statement is (1)SD=strongly disagree, (2)DA=disagree (3)N= Neutral, (4)A= Agree (5)SA= strongly agree.

Statement						
No.	A. Audit planning	SD	DA	N	A	SA
1.	Strategic audit plan is well prepared our organization					
2.	Strategic audit plan is implemented properly in our organization					

3.	From the strategic audit plan Annual audit plan is prepared.					
4.	The annual audit plan prepared is well implemented in our organization.					
5.	Detailed Audit program is prepared.					
6.	Internal Audit has adequate resources that are appropriate, sufficient and effectively deployed to achieve the Internal Audit Plan					
<b>B. Audit Evaluation</b>		<b>SD</b>	<b>DA</b>	<b>N</b>	<b>A</b>	<b>SA</b>
1.	We have regular supervision of audit field work					
2.	Audit findings are supported with sufficient and appropriate audit evidences.					
3.	In every audit, we take adequate sample for evaluating audit evidence					
4.	There is discussion on audit queries feedback with a concerned body before exit meeting					
5.	There is a consistent and documented practice for conducting internal audit engagements and preparing working papers					
6.	Internal auditors consider materiality issues					
<b>C. Audit Reporting</b>		<b>SD</b>	<b>DA</b>	<b>N</b>	<b>A</b>	<b>SA</b>
1.	Internal audit engagement reports are distributed to management and MOF in a timely way					
2.	Finance department reports monthly Financial report to internal auditors for audit engagement on time					
3.	Exit conference is always made with Auditee's for discussion before the report is disclosed					
<b>Follow up audit result</b>		<b>SD</b>	<b>DA</b>	<b>N</b>	<b>A</b>	<b>SA</b>
1.	Management set action plan and follow up to					

	take corrective action on the audit finding					
2.	The internal auditors establish periodic follow up process to ensure that corrective action have been effectively implemented					
3.	Management takes correctives action on the external audit findings /OFAG report/ on time.					
	<b>E. Independence of IA</b>	<b>SD</b>	<b>DA</b>	<b>N</b>	<b>A</b>	<b>SA</b>
1.	Internal auditors have unrestricted access to all departments and employees in the organization.					
2.	All internal audit members feel free to include any audit finding in their audit work and report directly to the responsible body					
3.	Internal audit can freely access any necessary documents, information and data about the process under investigation and hence always acknowledged					
4.	Internal auditors are independent of management influence in exercising auditing-related decision.					
	<b>F. Competency of IA</b>	<b>SD</b>	<b>DA</b>	<b>N</b>	<b>A</b>	<b>SA</b>
1.	The minimum level of skill, knowledge and experience required by internal auditor and the Head of Internal Audit is not fulfilled.					
2.	Internal auditors do not have full competency in skill& knowledge in evaluating audit evidence					
3.	Internal auditors possess adequate experience in carrying out audit process					
	<b>G. Working atmosphere (Job satisfaction of IA)</b>	<b>SD</b>	<b>DA</b>	<b>N</b>	<b>A</b>	<b>SA</b>
1.	There is special benefit given for unique contribution in your institution.					

2.	There are participating travel opportunities to conferences, audit work ,training etc.					
3.	Internal auditor’s recommendations are recognized and acted on by management.					

**III. Miscellaneous Questions**

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

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

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

Specify if any further challenges

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

- A. Yes
- B. No

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

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

- A. Yes
- B. No

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

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

A. yes

B. No

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

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

A. As fault finders

B. As a visionaries / future oriented/

C. which can add values to the organization

D. As a preventive role before problems has happened.

Specify If any Others

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

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

The personal interview questions request conduct with internal audit directors and some members of Inspection Directorate ministry of finance review of internal audits plans and reports.

**General Guidelines**

These interview questions are prepared for selected the personal interview 5-questions request conduct with internal audit directors and some members of Inspection Directorate ministry of finance review of internal audits plans and reports to assess the practices, prospect and challenges of internal auditors in performing audit activities in social sector public organization. Dear respondents, the information you provide is valuable for the study. Please be confident that the information you provide here is used only for academic purpose and will strictly be kept confidential.

**Interview question**

1. What is the challenge of internal auditors in performing audit activities with related to audit planning, implementation, reporting and follow up audit result, Independence, competency and job satisfactions.
2. In performing audit engagement do you think organizational independence of internal auditors in your organization is not an issue in accomplishing the role and responsibilities of IA?
3. To what extent management and other organs support, understand the role of internal audit function in the good governance?
4. What motivation exists in your organization which enables to retain the IA?
5. Do internal auditors competent in terms of skills and knowledge enough to carry out the audit engagement as per the standard notified in IIA?

### **List of social sector public organization**

1. Autho/ for Rese/ & conserve/ of Culture Heritage
2. Adama Science & Technology University
3. Woldia University
4. Hawassa University
5. Ministry of health
6. Ethiopian Youth Sport Academy
7. Wollo University
8. Ethiopian Civil service university
9. Addis Ababa science technology university
10. Madawalabu University
11. Dembi DOLO University
12. Welayita Sodo University
13. Oda Bultum University
14. Wachamo University
15. Haramaya University
16. Ethiopia public health institute
17. Ministry of Youth and Sport / Sports Commission
18. Bule Hora University
19. Ethiopian Youth Sport Academy
20. National Archive & Library Agency
21. Ministry of Culture& Tourism
22. St. Paulos Hospital
23. Arsi University
24. Higher Education Quality & Relevance Agency
25. Debre Brehan University
26. Gambella University
27. Samara University

28. Adigrat University
29. Jimma University
30. Catering & Tourism Training institute
31. Dilla University
32. Food medicine & healthcare admin & control authority
33. Mekelle University
34. Gonder University
35. National Archive & Library Agency
36. National HIV /AIDS prevention Secretariat
37. Ministry of Education
38. Debre Tabor University
39. Addis Ababa University
40. Ministry of labor & Social Affairs
41. Bonga university
42. St. Peter's TB Specialized Hospital
43. Ministry of Women children and youth Affairs
44. All Africa Leprosy Control and Training Center (ALERT)
45. Metu University
46. Amanuel Specialized Mental Hospital
47. National Blood Bank Service
48. Wolkite University
49. Technical and vocational Education and Training institute
50. Education Strategy Center
51. Werabe University
52. Bahir Dar University
53. Arba Minch University
54. Dilla University
55. Injibara University
56. National Disaster Risk Management Commission
57. Dire dawa University
58. Debre Markos University

59. Ambo University
60. Ethiopian Tourism Organization
61. Salale University
62. Strategic food reserve agency
63. Ethiopian Health Insurance Agency
64. Mizan/Tepi/ University
65. Ethiopian National Theater
66. Debarq University
67. Ethiopian National Cultural Center
68. Mekdela Amba University
69. Raya University
70. National educational assessment & examination agency
71. Kebedahar university
72. Higher education science & technology institute
73. National blood bank service
74. Axum University
75. Anti-doping & drug institute