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Evaluating the Internal audit practices of the Commercial Bank of Ethiopia (CBE) using the International Professional Practices Framework (IPPF) as a benchmark

**A Thesis Submitted
In Partial Fulfillment of the Requirements for the Degree of
MSc in Accounting and Finance**

**BY
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Addis Ababa University**

**June 2023
Addis Ababa, Ethiopia**

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This is to certify that the thesis prepared by Tsegaye Kebede, entitled; Evaluating the Internal audit practices of the Commercial Bank of Ethiopia (CBE) using the International Professional Practices Framework (IPPF) as a benchmark submitted in partial fulfillment of the requirements for the Degree of Master of Science in Accounting and Finance complies with the regulations of the University and meets the accepted standards concerning originality and quality.

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DECLARATION

I, the undersigned, declare that this thesis is my original work; prepared under the guidance of Habtamu Berhanu (PhD). All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher-learning institution to earn any degree.

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Abstract

Conformity with the International Internal Audit Standards (IIASs) is an essential part of internal audit to ensure that the Internal Audit Functions (IAF) effectiveness, the reliability of the audit reports and to enhance and protect organizational value by providing risk-based and objective assurance. Hence, this study aims at evaluating the internal audit practices of the Commercial Bank of Ethiopia (CBE) using the International Professional Practices Framework (IPPF) as a benchmark. The study utilized a mixed research approach both qualitative and quantitative research. Data were collected from primary and secondary sources which includes; a self-administrated questionnaire, semi-structured in-depth interviews, and documentary review. The survey design, in turn, uses purposive sampling and the target populations of the study were internal auditors of CBE at the head office. The collected data were analyzed by descriptive statistics with the support of SPSS and presented by using tables. Based on the research results, the current practices of internal audit in CBE through taking the Mandatory Guidance requirements of IPPF as a benchmark could be summarized into four groups: standards that are adequately, fairly, inadequately, and poorly complied. The major findings revealed that in CBE; a detailed audit work program is prepared, an audit plan is properly implemented, internal audit reports are prepared adequately as per the standards, Internal Audit Activities (IAAs) have an approved internal audit charter, and also the findings disclosed independence & objectivity of internal audit activities were aligned with the IPPF. More the code of ethics adequately complied and govern both the behavior of individuals and the bank. However, gaps were stated regarding the internal audit staff proficiency and due professional care and quality assurance and improvement program (QAIP) standards inadequately and poorly complied respectively. However, the mandatory guidance requirements conformance level in CBE fairly complied with the IIASs. Finally, CBE should pay much attention to raising the application of IIASs where attribute standards principally need much attention relative to performance standards.

Keywords: Commercial Bank of Ethiopia (CBE), International Professional Practices Framework (IPPF), Attribute Standards, Performance Standards, Code of Ethics.

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ACRONYMS AND ABBREVIATIONS

AC---	Audit Committee
ACCA----	The Association of Chartered Certified Accountants
AD----	Anno Domini
AML----	Anti Money Laundry
ASQ---	American Society for Quality
BC----	Before Christ
BOD----	Board of Directors
CAE---	Chief Audit Executive
CBE----	Commercial Bank of Ethiopia
CFE----	Certified Fraud Examiner
CFT----	Combat Financing Terrorism
CIA----	Certified Internal Auditor
CISA----	Certified Information System Auditor
COSO----	Committee of sponsoring organization
FI---	Financial Institutions
IA---	Internal Auditor/s
IAA---	Internal Audit Activities
IAF---	Internal Audit Function
IAS---	International Auditing Standards
IBRD----	International Bank for Reconstruction and Development
ICAN-----	Institute of chartered accountants of Nigeria
IFB----	Interest Free Banking
IFRS----	International Financial Reporting Standard
IIA---	Institute of Internal Auditors
IIASB---	International Internal Audit Standards Board
IPPF---	International Professional Practices Framework
IPPFOC---	International Professional Practice Framework Oversight Council
IS----	Information System
ISACA----	Information Systems Audit and Control Association
ISIA---	International Standards of Internal Auditing (Standards)

ISO----International Standard Organization
ISHOPA----Imperial Savings and Home Ownership Public Association
IT----Information Technology
LCB----Licensed Commercial Banks
MGE---Mandatory Guidance Elements
MOF---Ministry of Finance
NBE----National Bank of Ethiopia
NG----Net Guardian
PCIDSS---- payment card industry data security standards
QAIP---Quality Assurance and Improvement Program
SD-----Standard Deviation
SOE---State Owned Enterprise
SPSS---Statistical Packages for Social Scientists
SNNPRS----South Nation Nationality People Representative State
USA----United States of America
V/P----- Vice President

CHAPTER ONE

1. INTRODUCTION

1.1. Background of the Study

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 (Leona, 2010).

The Institute of Internal Auditors (IIA) is an international professional association that was established in 1941. The IIA is the internal audit profession's global voice, recognized authority, acknowledged leader, chief advocate, and principal educator. Generally, members work in internal auditing, risk management, governance, internal control, information technology audit, education, and security. Globally, the IIA has more than 230,000 members including 400 members in Ethiopia. (theiia.org)

According to the definition of IIA, 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 (IA) serves as an important link in the business and financial reporting processes of corporations. Internal auditors play a key role in monitoring a company's risk profile and identifying areas to improve risk management (International Professional Practices Framework, 2017).

The aim of internal auditing is to improve organizational efficiency and effectiveness through constructive criticism (Goodwin-Stewart and Kent, 2006). Ellis (2000) asserts that the value of internal audit had been affected by the perception that internal auditing only appraises accounting functions, is past and post-operative contrary to proactive and therefore does not have a big effect on organizational performance. The internal audit practices are different from one organization to the other. Accordingly, the Institute of Internal Audit (2010) defined

internal audit effectiveness “as the degree (including quality) to which established objectives are achieved”. Internal audit effectiveness means the extent to which an internal audit office meets its purposes (Mihret and Yismaw, 2007).

Internal audit function plays an important role in the organizational process, and therefore it is not only required to perform ordinary assurance activities, but also to serve as a strategic partner of the organization and add value to its activities towards improving organizational processes and ensuring their effectiveness and efficiency. Organizations with effective and efficient internal audit function are able to detect fraud more than those that have not such a function within their organizations (Corama, Ferguson and Moroney, 2008). Effective internal audit function could be a major asset for improving public confidence in financial reporting and corporate governance.

The internal audit activity can be regarded as an important governance mechanism, being an important monitoring function inside the organization. The internal audit activity has the potential to help the management to fulfil its governance responsibilities and enhance the effectiveness of other corporate governance mechanisms which consequently impact to the quality of the financial reporting as well as the firm’s performance (Johl et al., 2013). The policy makers as well as many governance regulatory bodies recognized that the IA has the potential to impact the corporate governance quality and the company’s performance. The IIA’s Code of Ethics (2010) when it defined competency indicated that internal auditors shall perform internal auditing services in accordance with the International Standards for the Professional Practices of Internal Auditing. This reflects the importance of compliance with the standards in ensuring efficient internal audit activities and effective role as a governance mechanism. The Standards identified the roles and responsibilities of internal auditing as providing a basis for measuring performance and improving the practice of internal auditing.

The objectives of internal auditors are considerably broader than the objectives of External auditors, providing flexibility for internal auditors to meet their company’s needs. At one company, internal auditors may focus exclusively on documenting and testing controls for Sarbanes–Oxley Act Section 404 requirements. At another company, internal auditors may serve primarily as consultants, focusing on recommendations that improve organizational performance. Not only may internal auditors focus on different areas, but the extent of internal auditing may vary from one company to another. (Ashenafi, 2018).

Finally Internal auditing as a strategic partner of the organization adds value to its activities towards improving organizational processes and ensuring their effectiveness and efficiency 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. Effective internal audit function are able to detect fraud and could be a major asset and serves as an important link in the business for improving public confidence in financial reporting and corporate governance.

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. Considering these factors and basically dwelling the IIA International Professional Practicing Framework (IPPF) as a yard stick, this research assessed the internal audit practices of Commercial Bank of Ethiopia. Different parts of the IPPF were taken as a benchmark to gauge the current practices of internal auditing in Commercial Bank of Ethiopia.

1.2. Statement of the problem

We are living in a dynamic globe. Every business activity, every day, including its culture is under continuous change and improvement. While the complexity of business activities becoming more and more, its internal control systems should also be well strong and adequate to protect the interests of the organization and its stakeholders. One of the functions of management in any organization is participation in controlling activity. Today, this controlling activity has been supported by a profession called an internal audit activity (IAA). It helps an organization achieve its objectives by introducing a systematic, rigorous approach to assess and improve the effectiveness of risk management control and governance.

The IIA provides internal audit professionals worldwide with authoritative guidance that is organized in the IPPF as mandatory and recommended guidance. Conformance with the principles set forth is required and essential for the professional practices of internal auditing. Effective January 2017, the International Internal Audit Standards Board (IIASB) has released one of the mandatory guidance elements of IPPF, the revised standards of internal auditing. These standards together with the code of ethics encompass all mandatory

requirements of the IPPF. Hence, by taking this mandatory guidance a requirement of IPPF into consideration, this research evaluates the current practices of internal audit in the Commercial Bank of Ethiopia.

The following cases elaborate on the existing internal audit practices and the related research gaps detected from a review of the related literature regarding Ethiopian private and government-owned organizations, which derived the researcher's attention to dwell much time and effort in the subject area. The following studies highlight some of the issues that need further investigation.

- ❖ The existing audit practices in financial institutions of Ethiopia revealed that the internal audit practices did not comply with the IPPF guidelines promulgated by IIA (Tamiru Tsegaye (2018); Ashenafi Sida, (2018)).
- ❖ Most internal auditors undertake their day-to-day internal audit activities traditionally and did not have profound knowledge of the IPPF (Addisu Gemed, 2014);
- ❖ The internal audit function needs to enhance its proficiency to have a positive impact on the corporate governance of the Commercial Bank of Ethiopia (Abreham G/Georgis, 2011).
- ❖ Since to date, the internal audit profession in Ethiopia was not discovered adequately (Tamiru Tsegaye (2018); Very few researches have been done regarding assessing the practices of internal audit rather than concentrating on the effectiveness of internal audit in Ethiopian organizations (Tadiwos Misganaw (2016), Abraham Yalew (2015), Desalegn Getie (2010)).
- ❖ Ethiopian SOE's internal audit function lacks essential business knowledge & insight; combined assurance was in its infancy, & there was a high degree of non-compliance with quality assurance & improvement program standards (P-Radas and K-Barac (2015,"p.103").

The above studies show previously limited studies done in Ethiopia; limited researchers conduct research on part of IPPF guidance (mandatory guidance) in different industries. Hence, there is a need to enrich previously conducted, studies that are related to internal audit practices, and in the meantime to assess the current practices of internal audit in the Commercial Bank of Ethiopia.

❖ Financial institutions like banks are the most risk of loss involved sectors related to other sectors most of the time the following risks happen in banking: price risk, liquidity risk, operational risk, compliance risk, strategic risk, reputational risk, credit risk, and IT and cyber risk. In addition to this financial institutions should have a clear outline of their policies and procedures. This is therefore it requires an objective look to ensure the organization is operating in compliance with these policies and procedures. Since internal audit has become a value creator for improving the effectiveness of risk management, control, and governance systems (Dellai & Omri, 2016). Conforming, the financial institutions internal auditing practices using international standards is a vital role for financial institutions to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.

❖ CBE is the largest and leading commercial bank in Ethiopia. Conforming the IIASs has been mandatory related to other organizations; this is therefore studying in these organizations is necessary and used to be a benchmark for other privately owned banks and organizations.

❖ Finally now a day a large amount of money transactions are performed with digital banking and it increased the risk of digital payment crimes. The risk happened in both internal and external parties' actions. Bring up some cases; retrieving and using customers' confidential information for their own or other party benefits by staff (member of staff fraud), third parties accessing the bank's computer system (hacking and cracking the computer system), and in the other hand innocent customers do not follow bank's instructions (simply biased by other persons). In fact, fraud is a major challenge in the banking industry and this makes all banks vulnerable and distressed. The management of each bank spends its hard-earned money to curtail its occurrence. Moreover, it puts question marks on the integrity of the employees and management of the banks and also gives rise to an absolute loss of customers' confidence in banking. Adeyemo (2012) asserted that banking frauds are made possible with insider or staff collaboration. The management and staff of every bank are expected to carry out their responsibilities with ultimate sincerity of purpose devoid of fraudulent practices to enhance public gain, trust, and goodwill. According to this problem the studies that related to internal audit practices, and in the meantime to assess the current practices of internal audit in Commercial Bank of Ethiopia using IPPF as a benchmark. Since the IIASs are used to provide a framework for performing and promoting a broad range of

value-added internal audit activities (IAA) and delineate basic principles that represent the practice of internal auditing as it should be.

1.3. Research Objectives

The purpose of setting objectives in research was to guide or help the researcher what the research is going to answer or achieve efficiently and also indicate what the researcher is going to do. Based on this reality, this research has the following objectives.

1.3.1. General Objectives

The general objective of the study was to evaluate the internal audit practices of the Commercial Bank of Ethiopia using the international professional practices framework (IPPF) as a benchmark.

1.3.2. Specific Objectives

Specific objectives that have to be addressed in the study were:

- ❖ To describe how IAA performed in Commercial Bank of Ethiopia;
- ❖ To check whether the IAAs in the Commercial Bank of Ethiopia lead by an approved internal audit charter;
- ❖ To evaluate the internal audit objectivity and independence organizationally;
- ❖ To examine internal auditors' professional competency and their due professional care;
- ❖ To evaluate the quality assurance and improvement program of the Commercial Bank of Ethiopia
- ❖ To evaluate both internal and external assessments in the Commercial Bank of Ethiopia;
- ❖ To evaluate how the code of ethics governs the behavior of individuals and organizations in conducting audit activities;

1.4. Research Questions

The following research questions were developed to conduct the study; the main research question in this study was: What looks like the practices of internal audit in Commercial Bank of Ethiopia regarding international auditing standards and the code of ethics? Additional sub-questions relating to the concept were:

- I. How different steps of internal audit; risk assessment and prioritization, planning, fieldwork, reporting, and follow-up on audit reports are undertaken in Commercial Bank of Ethiopia?
- II. Whether the IAAs in the Commercial Bank of Ethiopia led by an approved internal audit charter?
- III. How the internal audit objectivity and independence managed organizationally?
- IV. Do the internal audit staffs maintain the expected proficiency (knowledge, skill, etc) and exercise due professional care?
- V. Whether the development and maintenance of a quality assurance and improvement program of the Commercial Bank of Ethiopia cover all aspects of the internal audit activities?
- VI. Do both internal and external assessments conduct in the Commercial Bank of Ethiopia?
- VII. Whether the development and maintenance of a quality assurance and improvement Program made that covers all aspects of the internal audit activity and that includes both internal and external assessments?
- VIII. Does the code of ethics govern the behavior of individuals and organizations in conducting audit activities?

1.5. The hypothesis of the study

Based on the conceptual framework and in examining the internal audit practice of the commercial bank of Ethiopia using IPPF the following hypothesis was developed to address the research problem:

H1: practices of attribute standards significantly predict the conformity of IPPF by CBE.

H2: Practices of performance standards significantly predict the conformity of IPPF by CBE.

H3: Practices of code of ethics significantly predict the conformity of IPPF by CBE.

1.6. Significance of the Study

As a cornerstone of good corporate governance, an internal audit is conducted in diverse legal and cultural environments; organizations that vary in purpose, size, complexity, and structure. To achieve the objectives of the organization, it is also essential for ensuring the appropriateness and adequacy of internal control systems designed by the Top Management and Board of the organization. Furthermore, the effectiveness and efficiency of operations regarding compliance with the existing financial regulations, instructions, policies, and procedures; and proper utilization of company resources are other domains of the internal audit activity.

Compliance with the IIASs is an essential part of internal audit to ensure the IAF effectiveness, and the reliability of the audit reports and to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.

The main importance of this research work is to benefit the CBE by updating IAA and indicating the gaps that affect the conformity of IPPF. And it's going to help stakeholders to have a better understanding of IPPF.

Accordingly, conducting this research is considered to benefit different financial institutions. Since the study results identified the internal audit activities of the Commercial Bank of Ethiopia against non-conformance with the mandatory guidance requirements of the IPPF. In the meantime, the identified weakness areas (findings) with their respective recommendations

are forwarded for further improvements and adjustments. Furthermore, this study is adding value to the existing internal audit practice that has been conducted in the Commercial Bank of Ethiopia by comparing the quality level that is promulgated by IPPF. On the other hand, this study helps in increasing the role and image of internal audits in commercial banks to make them more effective and professional. It helps the shareholders appreciate the role of the internal audit as one of the most important managerial control systems in an organization required to safeguard their interests. Besides, this study benefited potential researchers who have an interest in the area for their future study.

1.7. Scope of the Study

Since the area of the study was too vast and fertile, it required ample time and cost to address 100% of the existing commercial banks. Due to time and cost constraints, therefore, the study was limited only to cover the Commercial Bank of Ethiopia. The study results reflected from the Commercial Bank of Ethiopia would be generalized and considered to represent the internal audit practices of almost all Commercial Banks in Ethiopia.

Commercial Bank of Ethiopia was selected purposely by its large size and as a leading commercial bank in Ethiopia. A large organization is assumed to have internal audit functions and may use sophisticated auditing activities.

The study focuses on evaluating the current practices of internal audit of the Commercial Bank of Ethiopia regarding revised mandatory and recommended guidance requirements of IPPF, (2017).

1.8. Limitations of the Study

In carrying out this study, it is important to have a set of assumptions to base the study on whether the responses to the questionnaires are true and accurate. The internal audit unit in the bank has adequate knowledge of the practice of the organization. And the respondents cooperated by giving the information demanded from them without reservation.

Certain problems and limitations are expected to face study like this; such problems are lack of resources or time to study or go ground another division of the bank such as different branches. Also, some staff may not like to reveal information. The main method of data and information collection will include both primary and secondary sources. The primary sources will be personal interviews with the intense Audit department's staff. The questionnaire will also be designed and distributed. The secondary sources are; bank internal control manuals, procedures, textbooks, and journals. Moreover, the level of the respondents' knowledge regarding the standards set for the audit profession and the code of ethics also was considered a limiting factor that could influence and blur the outcomes of the study.

1.9. Organization of the Research

The structure of this research incorporates five chapters. The first chapter is an introductory part. The background of the study is presented along with the objective of the study and the related research questions. Statement of the problem and rationale of the study are presented in the chapter as well. Review of the related literature; the theoretical and empirical parts including the research gap are discussed thoroughly in the second chapter. The third chapter focuses on the research design and methodology. Types and sources of data, the target population, sample size, and sampling techniques, method of data collection are described accordingly. In the fourth chapter, an exhaustive analysis of the collected data is discussed and interpreted. In the last chapter, the major findings, conclusions, and recommendations drawn based on the research results are forwarded to the respective management, auditees, and users for their future proper implementation and view.

CHAPTER TWO

2. Review of the Related Literature

The study of literature is an important part of any thesis because it investigates the main theories in the field of study, and thus helps in discovering what knowledge exists related to the researched topic. Increasing this knowledge will ultimately lead to the generation of original ideas and will show the relevance of the topic as compared to previous studies. When the existing literature on the topic has been reviewed, the researcher will be able to extract the key factors to be used in building a data collection tool. This will justify the proposed methodology and help in avoiding duplication of results. To reach a full understanding of the topic, a thorough study of the related literature is needed, and this is the only way to truly understand the significance of the research topic. Without such an understanding, the study will be fragile, unreliable, and most probably worthless. Building upon this solid knowledge, and starting from where others have left off, will almost certainly ensure original, relevant and valuable research.

The remainder of this chapter is divided into two parts, the first reviews theoretical aspects of the research. The second part talks about previous studies and models addressing the research topic in different countries.

2.1. Theoretical literature review

2.1.1. History of Internal Auditing

The term audit is derived from the Latin word “auditor” where “Far” describes that auditing is an ancient science known in China since about 2000 BC. The auditor at that time was independent and responsible for his work and profession. In the sixteenth century AD, auditing was concerned with government and family issues. They used two clerks called "Sofer" to document and keep copies of records and financial transactions to prevent fraud and disappearance. And when the industrial revolution occurred and the owners' ownership separated from the investor's capital of the company and the management of its business, there was a change in the concept of auditing, which Brown described in two directions; The first change: is the urgent need for a unified accounting system, and the second change represented by: the need for an independent audit of the business of companies (institutions).

In the middle of the nineteenth century AD, auditing was expensive and inefficient, so the owner of the company checked the production and matched it with the financial statements of the records, and later the great expansion of industrial activities and the large size of the companies became difficult to conduct a comprehensive audit, but the samples were taken completely, which led to control and prevention of fraud and theft (Saud& Marchand, 2012: (Qabas Abdulrazzaq et al. (2021).

Internal audit is practiced in different and diverse legal and cultural environments, for the benefit of organizations that differ in objectives, size, complexity, and structure. These differences affect the practice of internal auditing in each environment, but the extent of adherence to international standards for the professional practice of internal auditing is essential to enable internal auditors to fulfil their responsibilities The internal audit standards are divided into two main groups, the first is the attributes standards and the second is the performance standards, which will be dealt with in detail in the practical aspect, and the purpose of the internal audit standards is represented in (The Institute of Internal Auditors, 2017: 3-4):

1. Directing compliance with the mandatory elements of the international framework for professional practices.
2. Providing a reference framework for the performance and development of a wide range of added value for internal audit activities.
3. Laying the foundations for evaluating the performance of the internal audit.
4. Promote the improvement of the facility's operations and paths.

The profession of auditing in general, and internal auditing, in particular, is ancient; (Pickett, 2010, “p.8”). It was the “father of modern internal auditing” Lawrence Sawyer who said that word auditing comes from ancient Rome. Ancient officials were performing public and oral verification of records that was called “hearing of accounts”. This event was later described by the term, “audit”. It is derived from the Latin “audits” which means”a hearing” (Pickett, 2010). The roots of internal auditing are long and profound, tracing to centuries B.C. However, the birth of modern day internal auditing is perceived by many to happen with the formation of the IIAs. It was established in 1941 in the United States, with first 24 members Olga (2017) IIA’s fast growth, worldwide expansion, continuous research, and development fueled growth in the internal audit profession. Internal audit function started

mainly as protection against fraud and asset loss. Organizations grew in size and complexity which led to their decentralization. Management needed to internally evaluate accounting information that was used for making decisions. They also needed to control role efficiency of work and to ensure that no deceitful actions took place.

Historically, organizations viewed the internal audit function as a policeman or even a watchdog, which means that it was viewed only as an entity that is forced upon the company to monitor its employees and operations. Over the years, this profession has been struggling to be viewed and considered as an added value to the company and as a partner in the company's achievement. Today, the internal auditor is not only a controller but also an advisor.

The IIA implemented a new definition of internal auditing that is considered to be globally accepted; in the form that is known today (Na.theiia.org, 2017):

“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.” The Definition of Internal Auditing states the fundamental purpose, nature, and scope of internal auditing.

The IIA's Internal Auditing definition reflects the changing role of internal auditors. They are expected to provide value to the organization through improved operational effectiveness, while also performing traditional responsibilities, such as: reviewing the reliability and integrity of financial and operational information, ensuring compliance with policies and regulations & safeguarding assets (Ashenafi, 2018).

Furthermore, the definition underscores internal audit's contribution to the accomplishment of organizational objectives (Desalegn, 2010)

2.1.2. The Institute of Internal Auditors (IIA's)

The Institute of Internal Auditors (IIA) is an international professional association with global Headquarters in Altamonte Springs, Florida, USA. IIA was established in 1941. Currently, the Institute of Internal Auditors expanded into 271 countries and territories with over

230,000 members world-wide (iiam.com.my). The IIA is the internal audit profession's global voice, recognized authority, acknowledged leader, chief advocate, and principal educator. Generally, members work in internal auditing, risk management, governance, internal control, information technology audit, education, and security. Globally, The IIA members enjoy benefits offered by the North American Service Centre including local, national, and global professional networking; world-class training; certification; standards and guidance; research; executive development; career opportunities; and more. The IIA's Audit Executive Centre provides chief audit executives with relevant and timely thought leadership and connections to peers for benchmarking and sharing best practices. The IIA continuously conducts research and develops practices that allow internal audit to adjust and respond to ever-changing needs of organizations.

The profession of Internal Audit gets its comprehensive guidance from the International Professional Practices Framework (IPPF) set by the IIA. The IPPF identifies the official definition of internal auditing, the Code of Ethics, the Position Papers and Practice Guides, the Practice Advisories, the International Standards for the Professional Practice of Internal Auditing (the Standards), and developmental and practice aids. The conformance of all members of The IIA and Certified Internal Auditors with the Standards and the Code of Ethics set by the IPPF is mandatory. (theiia.org)

2.1.3. International Professional Practices Framework (IPPF)

The International Professional Practices Framework (IPPF) is the conceptual framework that organizes authoritative guidance promulgated by the IAs. It's universally acknowledged as the trustworthy, global, guidance setting body, providing internal audit professionals worldwide with knowledge and methodologies.

The scope of the IPPF is only authoritative guidance developed by an IIA international technical committee (International Internal Auditing Standards Board, Professional Issues Committee, Global Ethics Committee, and Public Sector Committee) following appropriate due process. The Framework has been developed to organize the full range of internal audit guidance from IIA Global in an accessible way. The Global Institute of Internal Auditors has developed a comprehensive range of standards, guidance, and guides to help internal auditors around the world in their work. (theiia.org)

The Framework includes two types of guidance: (theiia.org)

1. **Mandatory Guidance:** IIA members are required to comply with mandatory guidance. This guidance is developed after consultation with members. These are: Core Principles; Definition of Internal Auditing; Code of Ethics and International Standards of internal auditing.

2. **Recommended Guidance:** IIA members are recommended to comply with this guidance. It describes practices for the effective implementation of mandatory guidance, therefore, compliance is strongly recommended. (The Core Principles, the IIA's Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (International Standards)).

The Mission of Internal Audit “To enhance and protect organizational value by providing stakeholders with risk-based, objective and reliable assurance, advice and insight.” describes internal audit’s primary purpose and overarching goal. Achievement of the mission is supported by the entire IPPF, including the mandatory elements of the Definition, Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, and Standards, as well as all recommended guidance.

Assurance: An objective examination of evidence to provide an independent assessment on governance, risk management, and control processes for the organization.

Advice: Advisory, the nature and scope of which are agreed with the client, are intended to improve an organization's governance, risk management, and control processes without assuming management responsibility.

Insight: To be truly effective, IA should focus proactively on key risks and issues facing organizations with catalyst, analysis, and assessments.

2.1.3.1. Core Principles (theiia.org)

The Core Principles, taken as whole articulate internal audit effectiveness. For an IAF to be considered effective, all Principles must be present and operating effectively. How an internal auditor, as well as an IAF, demonstrates achievement of the Core Principles may be quite

different from organization-to-organization but, failure to achieve any of the Principles imply that an IAA was not as effective as it could be in achieving IA's mission.

2.1.3.2. Definition of Internal Auditing (theiia.org)

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. The Definition of Internal Auditing is the statement of fundamental purpose, nature, and scope of internal auditing. The definition is authoritative guidance for the internal audit profession from the Global Institute of Internal Auditors. It is part of the IPPF.

2.1.3.3. Code of Ethics (theiia.org)

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

2.1.3.4. The purpose of the Standards is to:

- Provide a framework for performing and promoting a broad range of value-added internal auditing services.
- Guide adherence to the mandatory elements of the IPPF.
- Establish the basis for the evaluation of internal audit performance.
- Foster improved organizational processes and operations.

The Standards are a set of principles-based, mandatory requirements consisting of:

- ❖ Statements of core requirements for the professional practice of internal auditing and for evaluating the effectiveness of performance that is internationally applicable at organizational and individual levels.
- ❖ Interpretations clarifying terms or concepts within the Standards.

The Standards, together with the Code of Ethics, encompass all mandatory elements of the IPPF; therefore, conformance with the Code of Ethics and the Standards demonstrates conformance with all mandatory elements of the IPPF. Furthermore, the Standards use the word “must” to specify an unconditional requirement and the word “should” where conformance is expected unless, when applying professional judgment, circumstances justify deviation.

2.1.3.5. Categories of internal audit standards

a) Attribute standards: Attribute Standards address the characteristics of organizations and parties performing internal audit activities. Numbered in 1000s; govern the responsibilities, attitudes, and actions of the organization’s internal Audit function (IAF) and parties performing internal audit activities. Apply to IAAs and individual internal auditors.

b) Performance standards: Performance Standards describe the nature of internal audit activities and provide criteria for performance evaluation. Numbered in the 2000s, govern describes the nature of internal audits and provides quality criteria to measure the performance of IAA. Apply to IAAs and individual internal auditors.

c) Interpretations: are provided by the IIA to clarify terms and concepts referred to in Attribute of Performance Standards.

d) Implementation Standards: expand attribute and professional standards and apply them to specific types of assurance or consulting engagements. They may deal with industry-specific, regional or specialty types of auditing services. They have unique formats Example 1000 A1 for Assurance “A” and 1000C1 consulting “C”.

The Standards comprise two main categories: attribute and performance standards.

- Attribute Standards address the attributes of organizations and individuals performing internal auditing.
- Performance Standards describe the nature of internal auditing and provide quality criteria against which the performance of these services can be measured. Attribute and Performance Standards apply to all internal audit services.

Implementation Standards expand upon the Attribute and Performance Standards by providing the requirements applicable to assurance (.A) or consulting (.C) services.

Assurance services involve the internal auditor's objective assessment of evidence to provide opinions or conclusions regarding an entity, operation, function, process, system, or other subject matters. The nature and scope of an assurance engagement are determined by the internal auditor.

Consulting services are advisory in nature and are generally performed at the specific request of an engagement client. The nature and scope of the consulting engagement are subject to agreement with the engagement client (guidance@theiia.com).

2.1.4. Theories of auditing

Theories on the demand for auditing provide a general framework for auditing, or at least for understanding it. Mautz and Sharaf (1961) define the purpose of theory in the following way: "One reason, then, for a serious and substantial investigation into the possibility and nature of auditing theory is the hope that it will provide us with solutions or, at least, clues to solutions, of problems which we now find difficult".

In the field of audit developed numerous theories of internal audit to analyze the IAA and IAF that can the internal auditors to be objective and independent, competent, exercises due professional care. Furthermore, the code of ethics governs the behavior of individuals and the organization. For the purpose of this study, the following theories will be employed:

2.1.4.1. Stewardship Theory: is a framework which argues that people are intrinsically motivated to work for others or for organizations to accomplish the tasks and responsibilities with which they have been entrusted. Stewardship theory was proposed by Donaldson and Davis (1991;1993). Stewardship theory has been framed as the organizational behaviour counterweight to rational action theories of management (Donaldson and Davis, 1991;1993). This theory posits that there is no conflict of interest between managers and owners and that the goal of governance is, precisely to find the mechanisms and structure that facilitate the most effective

coordination between the two parties (Donaldson, 1990). Stewardship theory is presented as an alternative to agency theory.

2.1.4.2. Stakeholder Theory: Stakeholder theory was propounded by Freeman and Reed (1984). The stakeholder theory is fundamentally a theory about how business works at its best, and how it could work. This theory is about value creation and trade and how a business is managed effectively. The stakeholder theory argues that other individuals matter such as customers, lenders, creditors, employees, communities, and so on.

2.1.4.3. Policeman Theory: This was the most widely held theory on auditing until the 1940s. Under the policeman theory, an auditor acts as a policeman focusing arithmetical accuracy and on the prevention and detection of fraud. However, due to its ability to explain the shift of auditing to, ‘verification of truth and fairness of the financial statements’, the theory seems to have lost much of its explanatory power. The policeman theory narrows auditor’s responsibilities to prevention and detection of fraud. The theory describes the expectations the stakeholders have of the auditors, including protection against fraud, warning of future insolvency, and general re-assurance of financial well-being.

The detection of fraud is, however, still a hot topic in the debate on the auditors’ responsibilities, and typically after events where financial statement frauds have been revealed, the pressure increases on increasing the responsibilities of auditors in detecting fraud. (Hayes et al. 2005)

2.1.4.4. Credibility theory: Credibility theory was developed by Limperg (1932). It suggests that the primary function of the audit is to add credibility to the financial statements. In this view the service that the auditors are selling to the clients is credibility. Audited financial statements are seen to have elements that increase the financial statement users’ confidence in the figures presented by the management (in the financial statement). users’ are perceived to gain benefits from the increased credibility.

2.1.4.5. The theory of inspired confidence (Theory of rational expectations):

(Limperg 1932) addresses both the demand and the supply for audit services. The demand for audit services is the direct consequence of the participation of third parties (interested parties of a company) in the company. These parties demand accountability from the management, in return for their investments in the company. Accountability is realized through the issuance of periodic financial reports. However, since this information provided by the management may be biased, and outside parties have no direct means of monitoring, an audit is required to assure the reliability of this information. About the supply of audit assurance, Limperg (1932) suggests that the auditor should always strive to meet the public expectations.

2.1.4.6. Communication Theory:

In accords of the IIA as the professional body that takes care of internal auditing, several studies such as those by Davidson (1991), Quinn and Hargie (2004) and Golen (2008), confirm the importance of and the need for effective communication skills in all organization functions. Studies done by Lewis and Graham (1988) and Smith (2005) suggested some ways to improve these communication skills. Previous studies by Hahn (2008) and Golen (2008) discussed communication barriers and how they can be overcome. At the same time, several previous studies have dedicated their work to communication in organizations. These studies evidenced that, effective communication and interpersonal relationships between managers and staff have a strong contribution to improving profitability, an improving activity; and it leads to higher quality of services and products, and reduction in costs (Clampitt & Downs, 1993). According to both IIA Standards and previous studies, the study of effective communication in internal auditing is necessary, and hence this study should consider the communication theory for its achievement. Davidson (1991) confirms that all auditors can benefit from the knowledge of current communication concepts, and even those who believe they are good communicators need to work consciously on assessing, improving, and applying their skills. Davidson's communication theory is based on three basic truths about communication. These are:

- (1) It is impossible not to communicate;
- (2) Communication is a multilevel phenomenon, and
- (3) Message sent does not always equal the message received.

2.1.4.7. Agency Theory: Agency theory was propounded by Jensen and Meckling (1976). Agency theory illustrates the conflict between principal and agent; where the principal (owner) lacks reasons to trust his or her agents (directors) because of information irregularities and contradictory motives. Information asymmetry deals with the study of decisions in transactions where one party has more or superior information than the other party or parties. External auditors are used as a third party to try to align the interests of agents with principals and to allow principals to assess and manage the behaviour of their agents and strengthen the trust. However, this creates a new concept of the auditors as agents, which leads to threats to objectivity and independence. When an auditor performs an audit for a company, they are acting as agents for the principals and this relationship develops similar threats to trust and confidence as the director-shareholder relationship.

(Watts and Zimmerman 1978, 1986a, 1986b) suggests that the auditor is appointed in the interests of both the third parties as well as the management. A company is viewed as a web of contracts. Several groups (suppliers, bankers, customers, employees etc.) make some kind of contribution to the company for a given price. The task of the management is to coordinate these groups and contracts and try to optimize them: low price for purchased supplies, high prices for sold goods, low-interest rates for loans, high share prices and low wages for employees. In these relationships, management is the agent, which tries to gain contributions from principals (bankers, shareholders, employees, etc). The most prominent and widely used audit theory is the agency theory.

Peursem and Pumphrey (2005) considered internal auditors as agents and monitors for a variety of the internal audit users that include the board, audit committee and senior management. Agency problems could occur when the board or its audit committee is inefficient, and hence, the senior management is likely to be a powerful influence over the internal audit. Internal auditors often are employed by senior management, but at the same time, they are also agents of the board and audit committee who trust in the internal auditors' ability to evaluate senior management works. However, internal auditors may have varying motives to act against the board of directors' interests and its audit committee and these motives include financial rewards from managers, personal relationships with them, and the power of senior management in shaping the future position of internal auditors and their salaries. In such a work environment, internal auditors as agents may have an incentive to be

bias in information flows, which leads to new concerns of the board and audit committee about their trust on the internal auditors' objectivity, and preventing such threats of objectivity becomes necessary for the board and its audit committee. Internal auditors as agents must perform audit processes at the professional level requiring education and professional certifications, experience, and other competencies needed to perform their responsibilities perfectly. Having internal auditors with such requirements and the existence of training programs for internal auditors would increase the confidence level of the board and audit committee in the internal auditor competence. At the same time, internal auditors, by proving their duties in accordance with the professional level, can refute charges of neglecting their duties. The internal audit department works are achieved under the supervision of the chief audit executive who is the main responsible individual for putting the internal audit plan, reporting internal audit findings and following-on up on internal audit recommendations. The organization members are required to evaluate the internal control system (SOX, Section 404, 2002), and to achieve this requirement they depend on the internal audit department. During this evaluation, internal auditors should collect sufficient and reliable evidence support their assessment of the internal control system. The existence of such evidences will increase the confidence level of organization members in the work performed by the internal audit. Hence, internal audit department performance is a crucial requirement for organization members to consider internal auditors as agents. Internal auditors, as agents of the organization members, need their support. The existence of an effective audit committee in the organization enhances internal audit independence and also, reduces senior management interferences either in internal audit scope or its performance. Linking Theories of the Study Research in auditing has traditionally been conducted under the framework of agency theory (Pilcher et al., 2011). However, Mihret et al. (2010) argued that the neoclassical economic theories including agency theory were the main reason for limited research in internal auditing. They criticized the assumption that organizational phenomena are only driven by maximizing the self-interest of individuals, and they confirmed that the behaviour of individuals cannot be abstracted from the social settings. Thus, they suggested institutional theory. The use of more than one theory in one combination enables considering social and behavioural aspects and the economic dimensions. Several previous studies have adopted both agency and institutional theories (Yamak & Suer, 2005; Christopher et al., 2009; Yaqi et al., 2012).

Agency theory is extensively employed in the accounting literature to explain and predict the appointment and performance of external auditors. Argues that agency theory also provides a useful theoretical framework for the study of the internal auditing function. Proposes that agency theory not only helps to explain and predict the existence of internal audit but that it also helps to explain the role and responsibilities assigned to internal audit function is likely to be affected by organizational change. Concludes that agency theory provides a basis for rich research which can benefit both the academic community and the internal auditing profession. Adams, M.B. (1994).

According to EduBirdie, (2022) Auditor independence is linked to agency theory. If the audit team is not independent from management then they cannot be trusted by stakeholders and the original principle-agent problem between stakeholders and management persist. Stakeholders cannot trust an audit firm that is not independent from management as they may be manipulated by, influenced by or in, collusion with management to fulfil their own professional and personal self-interests. There are many reasons why management may not be considered trustworthy, such as their own financial reward, job security or relationships with third parties who are not relevant to the principle. Auditors too have many incentives to act unprofessionally and therefore ignore the independent requirement of the auditing role; these include the large audit fees paid for by management and the threat of losing employment by the audit client or company.

Furthermore, EduBirdie, (2022) states that, auditor independence is linked to the credibility theory. Today, creditability consists of five fundamental principles; integrity, objectivity, professional competence and due care, confidentiality, and professional behavior. By focusing on independence, we can see how easy it is for fundamental principles such as integrity and objectivity to be neglected as a result of independence being compromised, leading to overall creditability decreasing at a detrimental rate.

For the purpose of this research, the agency theory is considered as the major underpinning theory. The results of the research work would be related to this theory, and conclusions would be drawn based on it.

2.2. Review of Empirical Evidences

Several studies on internal auditing have been carried out both locally and globally. Different researches were conducted on the existing practices of internal auditing in the Ethiopian context as well as internationally. The focus of those papers varies in terms of sectors, industries, institutions and different variables. Highlights of some previous research papers on similar subject areas including the research conclusions and recommendations are discussed as part of the assessment of previous empirical evidences and presented as follow:

Nancy (2013) investigated the effect of internal audits on the financial performance of commercial banks in Kenya. The study purposively selected one senior manager in the finance department. The researcher administered a survey questionnaire to each member of the target population since it was the most appropriate tool to gather information. Quantitative analysis and regression analysis were used as data analysis technique. Descriptive statistics such as mean, standard deviation and frequency distribution were used in the analysis of data.

According to the findings, internal audit standards, independence of internal audit, professional competency and internal control had a positive relationship with the financial performance of commercial banks, The study recommends that management in commercial banks in Kenya should adopt effective internal audit practices such as internal auditing standards, independence of internal audit, professional competency and internal controls to enhance financial performance of the banks.

Getaneh (2020) addressed the embodiment the of Role of Internal Audit: A Case of the Commercial Bank of Ethiopia. The objective of the study was to assess what roles internal audit plays in the achievement of organizational objectives. The study result shows that internal audit plays an indispensable role in the achievement of organization's objectives through ensuring effective and efficient utilize at resources source, advocating ethical conducts throughout the organization, assessing and identifying system inefficiencies, and providing a recommendation for better achievement. Moreover, a finding shows that compliance / traditional audit is the dominant type of audit practiced. The study also identifies absence of sufficient training, no / little encouragement by management, and lower acceptability of findings as major barriers to efficient audit function. Based on the findings the researcher recommended the audit department extend its scope in assessing risks

proactively, create continuous and direct contact with management, have a harmonious relationship, and develop their value-adding role.

Wubishet and Dereje (2014) investigated that factors determining internal audit quality in Ethiopian commercial Banks. The study adopted a quantitative research approach. Self-administered questionnaires distributed to 160 internal auditors' cross-sectional of 15 commercial banks. Out of 160 distributed questionnaires 154 questionnaires have been collected. The results of the study indicate that internal auditors in Ethiopian commercial banks believe the performance, competence and use of information technology by internal auditors as significant factors affecting internal audit quality. "Performance" is the highest determinant factor of internal audit quality, followed by "competence" and "Information technology" respectively. The study surprisingly addressed objectivity of internal auditors' is not a factor that determines the internal audit quality in Ethiopian commercial banks. The study recommends that Ethiopian commercial banks must work to ensure the availability of the key factors to achieve the quality of internal audit function.

Fenet (2014) investigated corporate governance, internal audit and financial performance in private commercial banks in Ethiopia. The study used a quantitative approach data collection method and adopted cross-sectional survey design and employed questionnaires to collect data from respondents. The study revealed a significant positive relationship between corporate governance, internal audit, and financial performance. And concluded that corporate governance is a higher predictor of financial performance than internal auditing. This implied that the importance of corporate governance in enhancing the banks' financial climate for performance is significant. It also recommended that managers should always share their resolution with all bank staff and that managers should provide options where there is easy access to information regarding the bank's financial performance and also manager should give training to the internal auditor and audit team to make them competent to perform their job and enhance financial performance.

Salawu and Mary (2017) assessed the effectiveness of the Institutional Regulatory Framework of Auditor Independence in Nigeria. The study revealed that identified weakness inherent in the regulatory framework assessed such as ineffective whistle-blowing in Nigeria; violation of Auditor's reporting independence; negligence on the Part of Audit Regulators and External Auditors in Nigeria; absence of unified code of corporate

governance on the Nigeria and proliferation of accounting professional bodies and decline in ethics.

The study recommended that, harmonisation of the multiplicity of corporate governance codes and accounting professional bodies in Nigeria by Financial reporting Council of Nigeria is a pre-requisite for promoting auditor independence among external auditors. Also, regulators in Nigeria should create more stringent regulatory procedures to detect fraud, meet appropriate discipline measures sure, and well as penalized companies and audit firms for erring. Furthermore, the accountancy professional body the institute of chartered accountants of Nigeria (ICAN) should promote the dignity of its members by making the appointment of external auditors less dependent on the executive directors and more dependent on the non-executive directors, audit committees, and shareholders.

Meseret (2016) investigated the determinants of internal audit effectiveness in the case of Ethiopian private commercial banks. The study employed a combination of descriptive and explanatory research methods. The study conducted only by taking six private commercial banks out of sixteen private commercial banks in Ethiopia. Based on the result of the regression output all of these five factors (the influence of management support, management's perception of IA's values, organizational independence, adequate competent internal audit staff, and presence of approved internal audit charter) contribute to internal audit effectiveness in private commercial banks positively and significantly and making 82.9% contribution to internal audit effectiveness. The study recommends that Ethiopian private commercial banks must work to ensure that the availability of the key factors to achieve the effective internal audit functions.

Rihana (2021) assessed the Internal Audit Practices of State Owned Enterprise (SOE's) in Ethiopia using the International Professional Practice Framework (IPPF) as a benchmark. The study employed a mixed research approach (both qualitative and quantitative method) combining survey design, in-depth semi-structured interviews, and documentary reviews. A self-administered questionnaire was distributed to all internal auditors of the five Ethiopian SOEs; the study also used a purposive sampling design. Commercial Bank of Ethiopia is one of the five SOEs. The major findings reveal that t detailed audit work program is prepared, the audit plan is properly implemented, internal audit reports are prepared as per the standards, and also the finding discloses quality assurance and improvement program, independence & objectivity of internal audit activities of SOEs were aligned with the IPPF.

However, gaps were sated regarding due professional care and development that are as a lack of certification at the professions demand to be, staff shortages and there is a lack of development training programs.

Leona (2010) investigated the roles and challenges of internal auditing in the banking industry in Kenya. The research design employed in this study was descriptive. The target population in the study was the 43 licensed commercial banks in Kenya. Primary data was collected using a semi-structured questionnaire. The study used the quantitative method of data analysis, that is, mean and mode. To ensure easy analysis, and minimize the margin of error, a questionnaire was coded according to each variable. Based on the findings, the study concluded that the general roles of internal auditing is to provide guarantee that internal controls are efficient, examine and assess the banks policies, procedures, manuals and recommending best practices and risk evaluation and management. The study further concludes that the challenges faced by internal auditors on their daily operations were those of realigning skills to address new requirements and implementing the new international professional practices framework (IPPF). The study recommends that the banks should hire auditors from other fields to introduce new techniques in the bank counts auditing to overcome the challenges encountered by internal auditors in their operations. The study also recommends that there should be continuous training and development of audit staff, in order to enhance their competence and also there should be acquisition of an audit system in all the banks.

Bizuayehu (2016) assessed internal audit from perspective of Ethics and standard practices in the case of selected government sectors in SNNPRS, Ethiopia. The study used both qualitative and quantitative approaches cording to the result the problem associated with internal audits were the lack of necessary qualifications and competencies for auditors and limitations of to management in solving the problem associated with the internal audit concerning ethical standards, application of internal audit principles and ethical standards were not based on the IA principles, and the extent of application of internal audit principles in real-world practice was smooth. The study recommend that recommends bodies of the government should take measures that help the internal audit department in each public sector in the region to work according to the standard practice and adhering to principles of internal audit would be essential.

Worku (2021) investigated the internal audit practice in Ethiopian private insurance companies. The internal auditing practice of the private insurance companies was studied in

terms International of Standards for the Professional Practice of Internal Auditing; attributed standard, performance standard standards of ethics. The study employed descriptive design and a purposive sampling technique and only used primary data (questionnaire). Based on the findings the study concluded the standards were complying well by the private insurance companies in Ethiopia. The study point out points in order to comply with the mandatory guidance elements promised by IPPF, all private insurance companies should enhance their internal audit staffs trough continuous training and certifications. Besides, to gain more benefit from their audit unit, they should give due consideration to satisfy the adequacy of their audit staffing and allocation of the related resources. In addition, the mandatory guidance elements of IPPF should be followed to add value and improve performance.

Madurasinghe & Tennakoon (2019) investigated in the research entitled “ the application of international internal audit standards by licensed commercial banks (LCB) in Sri Lanka” a quantitative research was carried out to reach the research objective. Closed ended; self-administrated questionnaire was distributed among the internal auditors of LCBs. The study was used descriptive statistics and multivariate analysis. The study results suggested a moderate level application of IIASs by LCBs. However, the extent of IIAS’s application found significantly varies month g three categories of IIASs. The attribute standards seemed the heavily applied IIASs category by Sri Lankan LCBs compared to performance standards and implementation standards. The least level of application was evidenced concerning to performance standards.

Tamiru Tsegaye (2018) studied the assessment of internal audit practices in private commercial banks of Ethiopia; the aforementioned Mandatory Guidance Elements were taken as a benchmark for the study. The sample of the research was only focused on five private banks selected by using purposive sampling technique. Both qualitative and quantitative data types were applied in the study. Based on the research results the study concluded the mandatory guidance requirements conformance level within the selected Private Commercial Banks of Ethiopia did not move up to the expectation that satisfies the IAS. As a result, the researcher recommended that The existing healthy conformance with certain mandatory Guidance requirements of the IPPF should be kept up and goes to the sound conformance level by all elements; the existing inadequate conformance have to make improvements until it satisfies the needs of all stakeholders; and lastly, it was attached with poor/below the expectation/ conformance, the Quality Assurance and Improvements Program

(QAIP) standard; should be carried out properly by all Private Commercial Banks of Ethiopia.

Bekele W/Senbet (2019) studied the assessment of internal audit practices in Oromia regional state the case of selected public sectors. By taking the mandatory guidance requirements of IPPF as a benchmark. The research was only focused on six sectors that were selected by using purposive sampling technique. Both qualitative and quantitative data types were applied in the study. The primary means of data collection, a self-administered questionnaire, was employed and distributed to the respective internal auditors. Moreover, the secondary data was reviewed from the related IASs and various literatures, journals, articles, and automated documents. The findings indicated that the mandatory guidance requirements conformance level within the selected sector Oromia regional state did not move up to the expectation that satisfies the IAS.

The existing healthy conformance with certain mandatory Guidance requirements of the IPPF should be kept up and goes to the sound conformance level by all elements; the existing inadequate conformance have to make improvements until it satisfy the needs of all stakeholders.

Alemberhan Seyoum (2021) examined the assessment of Internal Audit Practices in Textile Manufacturing Companies. In the Case of Some Selected Companies. The study employed a descriptive research method and purposively selects four textile manufacturing companies located in and around Addis Ababa. The study employed census method and selected all the 73 internal audit employees working at the four selected textile manufacturing companies. Out of 73 distributed questionnaires 68 questionnaires were correctly filled and returned. The collected data was analyzed using descriptive statistical tools. The findings showed that though there are internal audit charters in the selected textile organizations, there is a gap in making the content and nature of the charters comply with International Standards for the Professional Practice of Internal Auditing (ISPPA) attribute standards for internal audit charter. In line with the findings of the study, it was suggested that the textile manufacturing companies need to improve and periodically review their respective audit charters. Moreover, the study recommend that the organizations to enhance their internal staffs by giving trainings.

Arwa (2017) evaluated and investigated the effectiveness of internal auditing procedures in Jordanian commercial banks. The descriptive approach was used. Results revealed that the

internal auditing program used in the commercial banks included procedures that achieve internal auditing procedures and the role of the board of directors ensured the effectiveness of the internal auditing in the information technology. Additionally, results showed that the internal auditing program included risk based auditing program and the internal auditing procedures ensure the internal auditor's independence. The study recommended the necessity to enhance the current procedures followed in the internal auditing implementation for its effectiveness and the necessity to clarify the internal controls and its levels to ensure the success of the auditing program.

2.3. Conceptual framework of the study

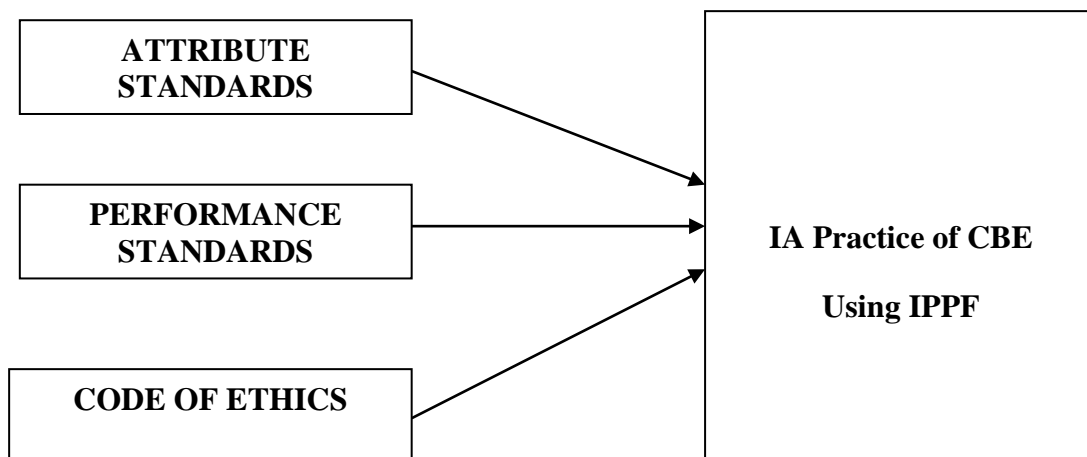


Figure: 2.1. Conceptual framework of the study

2.4. The Research Gap

Tamiru Tsegaye (2018) studied the assessment of internal audit practices in private commercial banks of Ethiopia using IPPF and found out the mandatory guidance requirements conformance level within the selected Private Commercial Banks of Ethiopia did not move up to the expectation that satisfies the IAS. Finally, due to limited studies done in Ethiopia, he suggested further studies on issues that related to the practices of internal audit in different industries including government-owned banks by taking the same benchmark, the mandatory guidance elements of IPPF. In addition to this, he mentioned “since to-date, the internal audit profession in Ethiopia was not discovered adequately.” Thus, his research would benefit all private commercial banks of Ethiopia and other stakeholders that are concerned with adequately establishing their internal audit department/unit and benefit from the profession by viewing sound practices of internal auditing as a criterion.

Various researchers that are interested in the study area could select the mandatory and recommended guidance elements of the IPPF separately and even focus on specific areas of IPPF based on their will and the upcoming research gaps.

Previously very little research has been done regarding internal auditing-related topics at various organizations in Ethiopia. By the definition of IIA, the internal audit is expressed as a profession that is moving from its traditional view (approach) to the new risk-based view (approach). Since internal auditing today is different from internal auditing yesterday and before, it is under a continuous review and progress (Olga (2017)). Therefore, as a global guidance-setting body, the IPPF organizes authoritative guidance promulgated by the IIA. The IIA provides internal audit professionals worldwide with authoritative guidance organized in the IPPF as mandatory guidance and recommended guidance. Conformance with the principles outlined in mandatory guidance is required and essential for the professional practice of internal auditing. These mandatory guidance elements are categorized into two namely attribute standards and performance standards. The standards together with the code of ethics encompass all mandatory elements of the IPPF. As it is mandatory guidance, no previous research was made in the Commercial Bank of Ethiopia by taking into account the mandatory and recommended guidance elements as a whole.

the revised International Standards for the Professional Practice of Internal Auditing (Standards) that was released by the International Internal Audit Standards Board (IIASB)

effective January 2017 and the code of ethics. It could be seen from the above discussion that the majority of the previous studies concentrated on the effectiveness of internal audits in various organizations in Ethiopia and globally. Very few studies were conducted in the area of assessing internal audit practices in different sectors and industries. As well, since to-date, almost no research has been done paying special attention to assessing the practices of internal audit the in Commercial Bank of Ethiopia by taking both the mandatory and recommended guidance elements of IPPF: the revised international auditing standards and the code of ethics as a benchmark. So the forgoing research gaps were identified and derived the attention the researcher to dwell his time on the stated gaps.

CHAPTER THREE

3. Research Design and Methodology

3.1. Introduction

In this chapter, the research techniques were adopted for the study to achieve the research objectives. It elaborates on the research design and provides details regarding the population, sample and sampling techniques, and the research instruments used in collecting data for the study. It also discusses the data collection methods and data analysis plan.

The first section presents the research design and types and sources of data, the target population, sample size, and sampling techniques were presented in the subsequent sections. Finally, methods of data distribution and collection, and methods of data analysis by preceding methods of data interpretation and presentation, are briefed accordingly.

3.2. Research Design

To ensure sound corporate governance and internal control system the existence of internal audit play a vital role in organizations. According to the IIA definition, internal auditing is an objective assurance and consulting activity designed to add value and improve an organization's operations. Since internal auditing is conducted in diverse legal and cultural environments, the differences may affect the practices of internal auditing in each environment; conformance with the IIA's standards is essential in meeting the responsibilities of internal auditors and the internal audit activity. As there is no option to non-conformance, therefore, this study examined the current internal audit practices in the Commercial Bank of Ethiopia by using the IPPF both the mandatory and recommended guidance requirements international auditing standards and the code of ethics as a benchmark. It was revised in October 2016 and Effective January, 2017.

Based on the research problem and the objectives of the study and supporting research approaches, a mixed research approach was implemented. Since, CBE was a mix of primary and secondary data. To get the benefits of a mixed method approach and to mitigate the bias

in adopting only a quantitative or qualitative approach. The mixed method research had an objective to evaluate the internal audit practices of CBE. In addition to this the objective of the study was to approach both the perspective of qualitative and quantitative research method.

3.3. Types and Sources of Data

Both qualitative and quantitative data were use in the study. Furthermore, the sources of data were both primary and secondary. Primary data was obtained through in-depth semi-structured interviews and questionnaires. Secondary data includes materials published by CBE and on their website or in printed publications.

Developing and distribution of questionnaires to the concerned bank auditors was the primary and major source of data gathered in instruments. Review of the related literature, especially the IPPF standards-2017, journals, research articles; CBE internal audit charter, internal control framework, and internal audit procedure and websites were used as a secondary means of data collection. In addition to this based on pre-planned interview guide which contains specific topics but not limited and allows for deviation from the study guide, both in questions and answers, in depth semi-structured interview was initiated for this study. An interview was chosen as data collection method because it meets the needs, time frame and limitations of this study. In addition to this it is used as a data collection method in both quantitative and qualitative research but most widely employed in qualitative research. (Bryman and Bell, 2007, p.472).

3.4. Target Population

To achieve the representativeness of the sample; the target population of the study was direct to all Commercial Bank of Ethiopia Internal Audit managers, internal audit team leaders, senior internal auditors, and internal auditors that have been currently working at Head Office. Hence target population was the total number of respondents or the entire population working at Head Office. Since Auditors were not easily accessible as they are a field working at different branches

3.5. Sample Size and Sampling Techniques

The sample size references the total number of respondents of all Commercial Bank of Ethiopia, internal auditors, internal audit managers, and team leaders at the head office level, was selected by using the purposive sampling method. Regarding the existing internal audit practices since the scope, characteristics, knowledge, and exposure of internal auditing activities at head office (particularly) is wider, the study employed only internal auditors who are assigned at head office- Internal Audit (Control) Departments of the bank. Moreover, to satisfy the adequacy and representativeness of the sample, all internal audit staffs (Audit Directors/supervisors/Officers) of the Departments/units were assumed for filling out the developed questionnaire.

3.6. Methods of Data Distribution and Collection

The study used both primary and secondary data collection methods. The primary source of data is in-depth semi-structured interviews conducted with internal audit managers, internal audit team leaders, and senior auditors. It was a pre planned interview guide allows obtaining information in the same time but not limit to the exploration of topics of the subject, which was very interesting and exploratory, and helpful to find out what was happening and to seek new insights’.

This self-administered, structured questionnaire was used. Five point likert scales followed through indicating scores (1) indicated strongly disagree, (2) disagree, (3) neutral, (4) agree and (5) strongly agree. The questionnaires were distributed to 70 internal Audit managers, internal audit team leaders, senior internal auditors and internal auditors under their own and particular departments through formal letters. The study succeeded with 55 valid responses from the internal audit departments. This is 79% of the total respondents. It indicated the validity of the survey.

Furthermore the secondary means of data collection related documents were considered and the IPPF standards-2017, CBE internal audit charter, internal control framework, and internal audit procedure and websites were used and reviewed. The document examination was used

to confirm the patterns that evolved from the data collected via questionnaires and in-depth semi structured interviews; hence the validity of the findings could be enhanced.

3.7. Methods of Data Analysis

To analyze the collected data, since it is the most common user-friendly package by social scientists in recent years (Dawson, 2002; Singh, 2007), the researcher was employed the Statistical Package for Social Sciences (SPSS) IBMSPSS Statistics version 29.0.1.0 To gather information through questionnaires, the Likert scale model (5-rating scale) was used by the researcher. After the data is entered into the SPSS software, to assess the reliability and consistency of the instrument, the Cronbach's Alpha (α) analysis was conducted. To generalize the average mean value we were set the following measurement for the conformance level of the standards: if the average mean values > 4 = adequate/best; in between $4 > 3.5$ = well/fair/good/healthy; between $3.5 <$ and > 3.0 = inadequate; and average mean values < 3.0 = poor conformance level.

3.8. Tools of Interpretation

The analyzed data were described and summarized by using the descriptive statistics methods, particularly by measure of central tendency mean values, frequency, percentage, measure of central dispersion (standard deviation). Then, the results of the study have been present by using various tables, and conclusions and recommendations were forwarded.

CHAPTER 4

4. Results and Discussion

This chapter presents the results and interpretation of data obtained from different source in the context of the existing knowledge as reviewed in chapter two. As already shown in the first chapter, the broad objective of this research was evaluating the internal audit practices of Commercial Bank of Ethiopia using the IPPF as a benchmark. Accordingly, this chapter arranged into three sections; the first section presented the results of the qualitative & the quantitative aspect, the second section presented discussions of result, & the third and the last section presented conclusions.

4.1. Results

The subsequent section outlines the results of qualitative & quantitative aspect. Specifically, section 4.1.1 Present the results of qualitative aspect it included in depth semi structured interview result & document review. Section 4.1.2 presents results of the quantitative aspect with are survey result.

4.1.1. Qualitative Aspect In depth semi structured interview & Document Analysis

In depth semi structured interview & document analysis was used in qualitative approach. The In depth semi structured interview was conducted with banking operation managers of corporate audit, managers of Credit and IFB finance audit, managers of Fraud investigation and managers of Branch Internal audit. Banking operation managers' of credit and IFB finance audit follow up, managers' of branch audit follow up and banking operation managers' corporate audit follow up, Banking operation team leader branch internal audit and senior internal auditors. In addition to in depth semi structured interviews document review was taken placed. Accordingly, CBE internal audit charter, CBE internal control framework, CBE Internal Audit Procedure & CBE Quality Management and Control Procedure ,NBE directives, and the IPPF standards-2017 documents related to internal auditing practices were taken as documentary sources.

Regarding internal audit activities, the respondents noted that the internal audit performs based on a systematic approach. The systematic process consists of specifically audit planning, examining and evaluating information from fieldwork, report findings, and follow up based on the agreed management rectification action plan. The V/P Internal Audit clarify that the head internal auditor monitors the entire audit process from planning to completion & all the audit work documented in the audit work papers, including evidence of follow-up procedures and the disposition of deficiencies. The conclusions drawn within the audit reports are back by comprehensive supporting documents and competent, sufficient, and relevant evidence. In the in depth semi structured interview, the audit managers specified that the internal auditors used these processes to determine audit priorities, set objectives, and audit resources and they mentioned the responsibility for constructing and implementing a risk-based plan is the V/P Internal Audit. The V/P Internal Audit review and adjust the plan, as necessary, in response to changes in the bank's business, risks, operations, programs, systems, and controls. The respondents stated the plan considers the bank's organizations strategies, objectives, and risks relevant to the engagement and reporting also includes significant risk and control issues, including fraud risks, governance issues, and other matters that require the attention of senior management and the board. The Banking operation audit follow up managers established a follow-up process to monitor and ensure that management actions have well implemented.

Concerning objectivity and independence, most of the respondents' state that perform their duties and responsibilities with highest level of professional objectivity and competency there is no problem observes about objectivity. The respondents mention that the V/P Internal Audit assured that the auditors perform their tasks objectively by the procedures set by the Bank & the standard of IAS. The respondent revealed, internal auditors won't assign to audit areas they participated & they are free from any biased attitude & conflict of interest. According to the document review the CBE Internal Audit charter states that all internal auditors shall perform their duties and responsibilities with highest level of professional objectivity and competency in providing an independent objective assurance and consulting service designed to add value. They shall be neutral and impartial in performing their tasks; avoid any conflict of interest which includes: not participate in any activity or relationship that may impair or be presumed to impair their independency; disclose all material facts known to them, if not disclosed, may distort the essence of audit activities under review;

should not provide assurance service relating to operations for which he/she had responsibilities within previous one year. Moreover, auditors are strongly encouraged to refer to practice advisories in the interpretation & implementation of the specific standards. (CBE internal Audit Charter March, 2021 p.2)

The in depth semi structured interview result regarding due professional care & continues training the respondents stated the Internal auditors apply the due professional care and skill expected of a reasonably prudent and competent internal auditor but, a gap observed in the enhancement of their knowledge & skill through continues professional development education or training. All most all of the respondents' state that they are willing to take professional certification but they do not obtained the opportunity, the training programs didn't get much attention and low deliberation was preset to the internal audit department. Moreover some of the internal auditors by their motives and expense participate and earned CIA professional certification.

According to the standard the IA charter of CBE states that all internal auditors shall understand professional competence, motivation and continuing training are the prerequisites for the effectiveness of the IA; all internal auditors shall be responsible for maintaining the required knowledge, skills and abilities; and perform engagements with proficiency and due professional care. And all internal auditors shall be enrolled in continuing professional education/training of acceptable standards each year, based on the needs assessment and the annual training plan. In addition to this, all internal auditors shall be encouraged to have relevant certifications like Certified Internal Auditor (CIA), Certified Fraud Examiner (CFE) and Certified Information System Auditor (CISA), and perform IA service in accordance with the international standard for the professional practices of internal auditing. (CBE IA Charter March, 2021 p.3)

Regarding the quality assurance and improvement program CBE IA charter states, the V/P IA has to develop an effective QAIP to insure that the audit work is of high standard and it includes both internal & external assessments. The internal assessment takes place by the internal auditors; And in accordance, the external quality assurance review shall be conduct at least once every five years, by individuals with appropriate professional knowledge and abilities and must be independent of the CBE. But, a gap observed, there is no objective evidence that showed external assessment conducted by independent assessor. And the

respondents also state that for the long period of time CBE did not conduct the external assessments.

The IA Charter of CBE also states the Code of Ethics as its values or code of conduct. Respondents mentioned that the code of ethics governs the behavior of individuals in conducting internal auditing. The respondent warranted that the code of ethics consider integrity, objectivity and impartiality, confidentiality & Professional competency. Internal auditors make a balanced assessment of all the relevant circumstances, and they are not unduly influenced by their interests or by others in forming judgments. And they mentioned that internal auditors respect the value & ownership of the information they receive; do not disclose information without appropriate authority unless there is a legal or professional obligation so to proceed.

In general CBE Internal audit charter, internal control framework, Internal Audit Procedure, Quality Management and Control Procedure and other audit manuals includes all the mandatory standard & set up. The working paper also clearly include the overall planning, risk assessment and prioritization, fieldwork, reporting, and also used team net application for follow-up of the audit trail.

4.1.2. Quantitative Aspect- Survey Results

The self-administered questionnaires were distributed to 70 employees at home office internal audit department however, the survey response was collected only 55 respondents 15 failed to respond. Wollela,(2008) stated the response rate of 71.8 percent was reasonably good in consideration of the difficulty to collect data in poor developing countries, Ethiopia in particular. For this study, 55 useable questionnaires were obtained with a response rate of 79 percent, which is fairly representative.

Accordingly, this section classified into two, the first section presents reliability analysis and demographic Profile of respondents which includes gender, age, area of study, auditing experience and internal audit department enrolment, and the second one presents statements regarding attribute standards, performance standards & the code of ethics.

To generalize the average mean value we were set the following measurement for the conformance level of the standards: if the average mean values $> 4 =$ adequate/best; in

between 4 >3.5= well/fair/good/healthy; between 3.5< and > 3.0 = inadequate; and average mean values < 3.0= poor conformance level.

4.1.2.1. Reliability Analysis and demographic Profile of respondents

Reliability Analysis

To measure the consistency of the questionnaire particularly the Likert-type scale, the reliability analysis is essential in reflecting the overall reliability of constructs, which it is measuring. Cronbach's alpha quantifies the level of agreement on a standardized 0 to 1 scale. Higher values indicate higher agreement between items. High Cronbach's alpha values indicate that response values for each participant across a set of questions are consistent. To carry out the reliability analysis, Cronbach's Alpha (α) is the most common measure of scale reliability and a value greater than 0.700 is very acceptable (Field, 2009; Cohen and Sayag, 2010). 0.78 is considered a statistically reliable internal consistency (Ahdika, 2017).

According to the under listed Table 4.1, the reliability analysis result of all variables revealed 0.979 and here by the responses generated for all of the variables' used in this research were reliable enough for data analysis.

Table 4.1: Reliability statistics

	N	%
VALID	49	89.10
EXCLUDED	6	10.9
TOTAL	55	100
Cronbach's alpha	N of Items	
.979	60	

Source: Reliability statistics analysis by SPSS.

Table 4.2: Respondents' gender and age

Variable	Classifications of variables	Frequency	percent
Gender	Male	44	80
	Female	11	20
	Total	55	100
Age	18-25	-	
	26-35	7	13
	36-45	30	55
	46-55	14	25
	56 and above	4	7
	Total	55	100

Source: Survey Result & Own Computation

In terms of gender, the survey data revealed that about 80 percent were Male while the remaining respondents were Female. Similarly, as the data showed 55 percent participants were in the range of 36-45 years of age. It implies that the respondents' greater part of the internal audit activity was undertaken by more productive and well matured aged and experienced auditors who are capable of assessing the audit function of the bank and qualified enough in commenting the application of IIASs and competent to undertake their day to day internal audit activities well.

Table 4.3: Respondents area of study, educational level and certification related to the profession.

Variable	Classifications of variables	Frequency	percent
Area of Study	Accounting	25	45
	Management	19	35
	Economics	7	13
	Other	4	7
	Total	55	100

Educational level	Diploma	-	-
	Bsc/Ba	28	51
	Msc /Ma /Mba	27	49
	Others	-	
	Total	55	100
Any certification related to the profession	ACCA	-	-
	CPA	-	-
	CIA	11	20
	No related certification	44	80
	Others	-	-
	Total	55	100

Source: Survey Result and own computation

The survey indicated 45% of the respondents were accounting qualified while 35 % of the respondents were Management qualified.13% of the respondents were Economics qualified and 7% of the respondents qualified in other fields. Whereas, 51% of the respondents have earned degree qualification and the remaining 49% had their post graduate qualifications. Thus prove to be qualified enough in commenting the application of IIASs and competent to undertake their day to day internal audit activities well.

Regarding certification related to the profession, 80% of the respondents do not have related certification. The remaining 20% have earned CIA professional certification. It was contrary to IPPF audit standard of Proficiency and due professional care. Based on the results, the existing internal auditors' practice of Commercial Bank of Ethiopia did not support their profession by the related adequate trainings and professional certifications.

Table 4.4: Respondents position and years of experience

Variables	Classification of Variables	Frequency	Percent
What is your current position in the bank	Manager	14	25
	Team Leader	7	13
	Senior internal Auditor	6	11
	Internal Auditor	24	44
	Other	4	7
	Total	55	100
Total years of auditing experience including the current position	Less than 5 years	16	29
	5-10 years	7	13
	11-15 years	12	22
	16-20 years	9	16
	Above 20 years	11	20
	Total	55	100

Source: Survey Result& Own Computation

According to the survey 44% of the respondents are Internal Auditors and 25% of the respondents are managers. 13% of the respondents are Team Leaders and 11% of the respondents are senior Internal Auditors. The remaining 7% of the respondents are engaged in other positions like Fraud investigation officers. In the other hand 29% of the respondents have less than 5years Audit experience. 22% of the respondents have 11 to 15 years experience. And 20% of the respondents have above 20 years Audit experience. The remaining 16% and 13% of the respondents have 16 to 20 years and 5 to 10 years audit experience respectively. It indicates that most of the respondents are senior Internal Auditors and have above 11 years Audit experience in Commercial Bank of Ethiopia and qualified enough in commenting the application of IIASs and competent to undertake their day to day internal audit activities well.

Table 4.5: Auditing department staffing

Variables	Classification of Variables	Frequency	Percent
In terms of Number	Adequately staffed	18	33
	Moderately staffed	32	58
	Poorly staffed	5	9
	Total	55	100
In terms of competency (skill and Knowledge)	Adequately staffed	16	29
	Moderately staffed	34	62
	Poorly staffed	5	9
	Total	55	100

Source: Survey Result & Own Computation

Regarding the survey 58% of the respondents stated as internal audit department staffing in terms of number moderately staffed, 33% of respondents stated as adequately staffed and the remaining 9% of the respondents stated as poorly staffed. According to internal audit department staffing in terms of competency 62% of the respondents stated as moderately staffed, 29% of respondents stated as adequately staffed and the remaining 9% of the respondents stated as poorly staffed. Hence, internal audit department staff in CBE was moderately staffed in terms of number and competency.

4.1.2.2. Compliance with the International Auditing Standards

This section focused on internal audit practice compliance of Commercial Bank of Ethiopia with the international auditing standards. It holds statements regarding the Standards, together with the Code of Ethics, it encompass all mandatory elements of the IPPF.

1.1.2.2.1. Conformance with Attribute Standards

Attribute stand address characteristics of organizations and parties performing Internal Audit Activities (IAA). It governs responsibilities, attitudes, and actions of organizations internal audit function (IAF) and parties.

Table 4.6: Internal Audit Objectivity

A. Statements	N	Min	Max	Mean	SD
The internal audit charter defines the internal audit activity's purpose, authority and responsibility.	55	3	5	4.49	.605
The mandatory elements of the international professional practices framework are recognized in the internal audit charter.	55	2	5	4.35	.751
The internal audit activities are independent, and internal auditors are objective in performing their work.	55	1	5	4.16	.811
There is a dual reporting relationship the head of Audit report functionally to the audit committee and to the president	55	3	5	4.16	.739
Internal auditors have an impartial, unbiased attitude and avoid any conflict of interest.	55	1	5	4.18	.819
If independence or objectivity is impaired in fact or appearance, the details of the impairment are disclosed to appropriate parties.	54	2	5	3.89	.793

Source: Questionnaire Result analysis by SPSS.

Internal Audit Objectivity

The above six questions were derived from the attribute standard, internal audit objectivity used as a standard to analyze the quality level of compliance within Commercial Bank of Ethiopia.

According to the first question it could be understood from the respondents' result that the internal audit charter in Commercial Bank of Ethiopia encompassed and well defined the IAA's purpose, authority and responsibility by the mean value of 4.49. The perception of the responding auditors regarding the standard was taken as considerable and represented as by the standard deviation value of 0.605 it was below 1. It indicates that the perception of the respondents not differed one from another or the variation is low.

Similarly the other questioners from the second question to the sixth one shows there is a positive relationship and also the respondents' perception is below 1 it indicates the variation is low.

To sum up the internal audit objectivity with a mean average value of 4.20 stated as adequate and best. The highest mean value showed in the first and second questions which was internal audit charter defines the internal audit activity's purpose, authority and responsibility and the mandatory elements of the IPPF are recognized in the internal audit charter. The respondents moreover confirmed IAAs are independent, and internal auditors are objective in performing their work and internal auditors have an impartial, unbiased attitude and avoid any conflict of interest. The V/P IA report functionally to the BOD/Audit committee and administratively to the President. In addition to this the variance in perception among internal auditors that responded for the standard is represented as low by the average standard deviation value of 0.753.

Table 4.7: Internal Audit Independency

B. Statements	N	Min	Max	Mean	SD
The internal audit activities are free from interference in determining the scope of internal auditing, performing work and communicating results.	55	2	5	4.07	.836
Organizational independence is achieved when the chief audit executive reports functionally to the board.	54	1	5	4.11	.793
Internal auditors do not participate in audit of activities for the operation of which they were responsible.	54	1	5	3.65	1.276
Internal auditors feel free to include any audit findings in their audit reports.	54	1	5	3.96	.910

Source: Questionnaire results analysis by SPSS.

Internal Audit Independency

The above four questions were derived from the standard, internal audit independency used as a standard to analyze the quality level of compliance within Commercial Bank of Ethiopia. According to the third question it could be understood from the respondents' results that internal auditors do not participate in audit of activities for the operation of which they were responsible by mean value 3.65. The perception of the responding auditors regarding the standard was taken as considerable and represented as by the standard deviation value of 1.276 it's above 1. It indicates that the perception of the respondents differed one from another or considered as high. The other questions positively related and the aggregate value of the internal audit independence standard conformance within Commercial Bank of Ethiopia was specified as healthy, and supported by the average mean value, 3.95. Also, the variance in perception among internal auditors that responded for the standard was represented as low by the average standard deviation value, 0.954.

Table 4.8: Internal Audit Staff Proficiency and due Professional Care

C. Statement	N	Min	Max	Mean	SD
Internal auditors possess the knowledge, skills, and other competencies needed to perform their individual responsibilities.	55	1	5	4	.745
Internal auditors are encouraged to demonstrate their proficiency by obtaining appropriate professional certifications and qualifications.	54	1	3	1.63	.831
Internal auditors have sufficient knowledge to evaluate the risk of fraud and the manner in which it is managed by the organization.	54	1	5	3.57	.882
Internal auditors have sufficient knowledge of key information technology risks and controls and available technology based audit techniques to perform their assigned work.	54	1	5	3.44	.945
Internal auditors always apply the care and skill expected of a reasonably prudent and competent internal auditor.	53	3	5	3.91	.687

Internal auditors consider the use of technology-based audit and other data analysis techniques.	55	2	5	3.69	.836
Internal auditors are alert to the significant risks that might affect objectives, operations, or resources.	54	1	5	3.83	.818
Internal auditors enhance their knowledge, skill, and other competencies through continuing professional development.	54	1	3	1.43	.815

Source: Questionnaire results analysis by SPSS.

Internal Audit Staff Proficiency and Due Professional Care

The above Eight questions were resulting from the internal audit staff proficiency and due professional care attribute standard and used as a benchmark to analyze the quality of conformance within the Commercial Bank of Ethiopia and the results were presented as follow.

According to the first question it could be understood from the respondents' result that the internal auditors possess the knowledge, skills, and other competencies needed to perform their individual responsibilities replied as well by the mean values 4. The perception of the responding auditors regarding the standard was taken as considerable and represented as by the standard deviation value 0.74. It indicates that the perception of the respondents not differed one from another or the variation is low.

In contrary the second and the last questions the respondents' result that internal auditors are encouraged to demonstrate their proficiency by obtaining appropriate professional certifications and qualifications and internal auditors enhance their knowledge, skill, and other competencies through continuing professional development replied as inadequate by the mean values 1.63 and 1.43. The perception of the responding auditors regarding the standards were taken as considerable and represented as by the standard deviation value 0.83 and 0.81 respectively. It indicates that the perception of the respondents not differed one from another or the variation is low. According to the respondents, other questions positively related to the standards.

In general the above table shows that the compliance level of the attribute standard internal audit proficiency and due professional care was inadequate by the average mean values of 3.19. Furthermore, the variance in perception among internal auditors that responded for the standard is represented as low by the average standard deviation value of 0.82.

Table 4.9: Internal Audit Quality Assurance and Improvement Program (QAIP)

D. Statement	N	Min	Max	Mean	SD
The quality assurance and improvement program includes both internal & external assessments.	54	1	3	1.28	.685
Sufficient knowledge of internal audit practices requires at least an understanding of all elements of the International Professional Practices Framework.	54	1	4	1.96	1.273
Ongoing monitoring is an integral part of the day-to-day supervision, review, and measurement of the internal audit activity.	53	1	5	3.79	.863
Periodic assessments are conducted to evaluate conformance with the Code of Ethics and the Standards.	54	1	3	1.37	.734
The external assessment is conducted at least once every five years by a qualified, independent assessor from outside the organization.	54	1	3	1.22	.572
The chief audit executive communicates the results of the quality assurance and improvement program to senior management and the board.	53	1	5	3.70	.845
The internal audit activity conforms with the code of ethics and the standards when it achieves the outcomes described therein.	53	1	5	3.94	.718
The chief audit executive discloses the non-conformance and the impact to senior management and the board.	52	2	5	3.58	.723

Source: Questionnaire results analysis by SPSS.

Quality Assurance and Improvement Program (QAIP)

The above eight questions are based on quality assurance and improvement programs include both internal and external assessments that use as a benchmark to analyze the quality of conformance within Commercial Bank of Ethiopia and the results have presented as follows.

According to the above table from the total eight questions four of them shows inadequate conformance of the standard. It includes: The QAIP includes both internal and external assessments by mean value 1.28 and SD value of 0.685; sufficient knowledge of internal audit practices requires at least an understanding of all elements of IPPF by mean value 1.96 and the SD of 1.27; Periodic assessments are conducted to evaluate conformance with the Code of Ethics and the Standards by mean value of 1.37 and SD value, 0.73; and the external assessment is conducted at least once every five years by a qualified, independent assessor from outside the organization by mean value of 1.22 and SD value of 0.57. The other four survey results showed a positive relationship and the highest mean value showed in the questions which was the IAA conforms with the code of ethics and the standards when it achieves the outcomes described therein by mean value 3.94 mean value and the variance in perception among the respondents was considered as low and reflected by SD value, 0.72

Finally as per the survey results that were collected from internal auditors regarding the attribute standard, quality assurance and improvement program, a significant portion of the responses were reflected that the standard did not comply within Commercial Bank of Ethiopia by 2.60 average mean values. Moreover, the variance in perception among internal auditors was considered as low and reflected by the average standard deviation value, 0.80.

The QAIP standard regarding all its components; conformance level within Commercial Bank of Ethiopia, based on the respondent internal auditors' reply, could be summarized and defined as poor. This result more elaborates that Commercial Bank of Ethiopia lack awareness regarding the benefits that could be gained from the standard.

Summary of Attributes Standards Conformance Level

Table 4.10: Summary of Attributes Standards Conformance

N Valid	55
Missing	0
Mean	3.307
Median	3.346
Standard deviation	0.606

Source: Questionnaire results analysis by SPSS.

The aggregate conformance level of the attributes standards by Commercial Bank of Ethiopia could be represented by the mean value 3.307 and the standard deviation of 0.606 values. The results reflected that the standards did not adequately comply with the bank. The variance in perception among respondent auditors was low. According to the above four standards that represented the attributes standards in general, the conformance level within Commercial Bank of Ethiopia could be represented as inadequate.

4.1.2.2.2. Conformance with Performance Standards

Performance Standards describe the nature of internal auditing activities (IAA) and provide criteria for performance evaluation. This section focused on the results of different performance standard statements.

Table 4.11: Managing the Internal Audit Activity

E. Statement	N	Min	Max	Mean	SD
The internal audit activity adds value to the organization and its stakeholders when it considers strategies, objectives, and risks.	52	1	5	4.25	.813
While developing the risk-based audit plan, the chief audit executive consults with senior management and the board and obtains an understanding of the organizations strategies, key business objectives, associated risks, and risk management processes.	53	2	5	3.94	.745
The chief audit executive communicates the internal audit activity's plans and resource requirements,	51	2	5	3.82	.740

including significant interim changes, to senior management and the board for review and approval.					
The chief audit executive ensures that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.	52	2	5	3.83	.857
The chief audit executive establishes policies and procedures to guide the internal audit activity.	52	1	5	4.08	.763
The chief audit executive shares information, coordinate activities and consider relying upon the work of other assurance and consulting service providers.	49	2	5	3.80	.676
The chief audit executive reports periodically to senior management and the board on the internal audit activities and performance relative to its plan and on its conformance with the Code of Ethics and the Standards.	51	3	5	4.06	.676

Source: Questionnaire results analysis by SPSS.

Managing the Internal Audit Activity

The above questions were derived from managing the IIA performance standards and used as a yardstick to measure the quality level of the internal audit activities management within Commercial Bank of Ethiopia and the results summary are as follows.

The results of managing internal audit activity standard conformance level within Commercial Bank of Ethiopia was fair and exhibited by the average mean value of 3.97. Each statement holds a high mean value. Moreover, the average standard deviation value of 0.75 showed that no significant variance prevails among the participated internal auditors' in connection to the application of managing the Internal Audit Activities within performance standards. The participated internal auditors' perception variation regarding the activity was low.

Table 4.12: Nature of the Audit Work

F. Statement	N	Min	Max	Mean	SD
The internal audit activity assesses and makes appropriate recommendations to improve the organizations governance processes.	53	1	5	4.13	.810
The internal audit activity evaluates the effectiveness and contributes to the improvement of risk management processes.	52	2	5	4.04	.791
The internal audit activity assists the organization in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.	52	2	5	4.15	.724

Source: Questionnaire results analysis by SPSS.

Nature of the Audit Work

The above three questions were constructed from the nature of the audit work standards and used as a benchmark to measure the quality level of the work how it is managed in Commercial Bank of Ethiopia and the results were then summarized as follows.

The standard nature of the audit work, with an average mean value of 4.11 implies, these three pillars of the standard, assessment of the Bank's corporate governance, evaluation of the risk management process, and evaluation in maintaining an effective internal control system in the organization activities were adequately recognized. The variation in perception among internal auditors that participated was low and represented by the average standard deviation value of, 0.77.

Table 4.13: Engagements Planning

G. Statement	N	Min	Max	Mean	SD
In planning the audit engagement, internal auditors consider the strategies and objectives of the activity being reviewed.	53	3	5	4.13	.556
Objectives established for each audit engagement concerning reflecting the results of the assessment, the probability of significant errors, fraud, noncompliance, and other exposures.	53	2	5	3.96	.649
The established scope is sufficient to achieve the objectives of the engagement: it includes consideration of relevant systems, records, personnel, and physical properties.	53	1	5	4.02	.772
Internal auditors determine appropriate and sufficient resources to achieve engagement objectives based on the nature and complexity of each engagement, time constraints, and available resources.	53	1	5	3.87	.900
Internal auditors develop and document work programs (include procedures) that achieve the engagement objectives.	53	3	5	4.15	.568

Source: Questionnaire results analysis by SPSS.

Engagements Planning

The above five questions were results from the engagements planning standards and used as a benchmark to measure the compliance level within Commercial Bank of Ethiopia and the related result present as follows.

The results of engagements planning standard conformance level within Commercial Bank of Ethiopia was adequate and exhibited by the average mean value of 4.03. Each statement holds a high mean value. The variance in perception among internal auditors that participated in the study was exhibited by the average standard deviation value of 0.69 and it indicates that the variation was low.

Table 4.14: Performing the Engagement

H. Statement	N	Min	Max	Mean	SD
Internal auditors identify, analyze, evaluate, and document sufficient information to achieve the engagement's objectives.	53	2	5	4.11	.640
Internal auditors identify sufficient, reliable, relevant, and useful information to achieve the engagement's objectives.	53	2	5	4.17	.753
Internal auditors base conclusions and engagement results on appropriate analyses and evaluations.	52	3	5	4.06	.574
Internal auditors document sufficient, reliable, relevant, and useful information to support the engagement results and conclusions.	52	3	5	4.15	.607
Audit engagements are properly supervised to ensure that objectives are achieved, quality is assured and staffs is developed.	53	2	5	3.94	.745

Source: Questionnaire results analysis by SPSS.

Performing the engagement

The above five questions derived from performing the engagements standards were used as a benchmark to measure the conformance level within Commercial Bank of Ethiopia and the results are as follows:

According to the survey result, majority of internal auditors replied and confirmed regarding the standard, performing the engagement, for its quality and its conformance within CBE was adequately complied by 4.09 average mean values. Besides, the variance in perception among auditors was low and figured out by the average standard deviation value of, 0.66.

Table 4.15: Communicating the Results

I. Statement	N	Min	Max	Mean	SD
Communications include the engagement's objectives, scope, and results.	53	3	5	4.17	.509
Communications are accurate, objective, clear, concise, constructive, complete and timely.	52	2	5	4.13	.715
While a final communication contains a significant error or omission, the chief audit executive communicates the corrected information to all parties who received the original communication.	53	2	5	3.74	.625
Engagements are conducted in conformance with the International Standards of Internal Auditing and it supported by the results of the quality assurance and improvement programs.	52	2	5	3.79	.776
When non-conformance with the Code of Ethics or the Standards impacts a specific engagement, the results disclose with which full conformance was not achieved, the reason, its impact and the communicated engagement results.	52	2	5	3.69	.579
The chief audit executive review and approve the final engagement communication before issuance and for deciding to whom and how it will be disseminated.	53	2	5	3.74	.711
When an overall opinion is issued, it takes into account the strategies, objectives, and risks of the organization.	53	2	5	3.85	.662

Source: Questionnaire results analysis by SPSS.

Communicating the Results

The above seven questions derived from communicating the results standard were used as a benchmark to measure the quality of conformance in Commercial Bank of Ethiopia, and the results were also summarized as follows.

It could be understood from the above table 4:15 that performance standards of

communicating results adequately complied within CBE and exhibited by the average mean value of, 3.87. The variance in perception of auditors regarding the standard was low and identified by the average standard deviation value of, 0.65.

Table 4.16: Monitoring Progress

J. Statement	N	Min	Max	Mean	SD
The chief audit executive establishes a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.	53	2	5	3.98	.720
When the chief audit executive concludes that management has accepted a level of risk that may be unacceptable to the organization, s/he discusses the matter with senior management. If the matter has not been resolved, s/he communicates the matter to the board.	53	1	5	3.66	.898

Source: Questionnaire results analysis by SPSS.

Monitoring Progress (Follow-up) Standards

The above questions was derived from the standard, monitoring progress, and used as a benchmark to analyze the quality level of conformance within Commercial Bank of Ethiopia and the related result are as follow.

The above survey result under table 4:16 that produced by SPSS regarding monitoring progress standard disclosed that majority of respondent internal auditors of the bank believed that the mentioned standard was fairly exercised and its result was supported by 3.82 average mean values and followed by the average standard deviation, 0.81 value. It showed that the variance in perception among the responding internal auditors was low.

Summary of Performance Standards Conformance Level

Table 4.17: Summary of Performance Standards Conformance

N Valid	55
Missing	0
Mean	3.791
Median	4
Standard deviation	1.044

Source: Questionnaire results analysis by SPSS.

The aggregate result of the above table regarding the performance standards revealed that the standards were well complied within Commercial Bank of Ethiopia by the average mean value of 3.79; and the variance in perception among the respondent auditors was high and presented by the average standard deviation value, 1.044.

According to the entire performance standards analysis results, it could be understood that the standards awareness and adherence to within Commercial Bank of Ethiopia was fairly reflected and well responded by the respective internal auditors of the Bank.

Summary of Attributes and Performance Standards Conformance Level

Table 4.18: Summary of Attributes and Performance Standards Conformance

Descriptive statistics	Attribute standards	Performance standards	Total standards Average value
N Valid	55	55	55
Missing	0	0	0
Mean	3.307	3.791	3.55
Median	3.346	4	3.67
Standard deviation	0.606	1.044	0.83

Source: Questionnaire results analysis by SPSS.

While we viewed to the total standards conformance (the attributes and performance standards) level within Commercial Bank of Ethiopia, it could be summarized as fair and exhibited by 3.55 average mean values. The average standard deviation value of the result reflected as low and represented by the average standard deviation value of 0.83; that

showed there is no significant variance in perception among the respondent internal auditors. The analysis results of the entire standards (attributes and performance standards) conformance level within Commercial Bank of Ethiopia was revealed by an average mean value of 3.55 and it stood below the acceptance (It corresponds to below the value level “agree” as denoted by the scale of response agree = 4.00) level. Even though, the aggregate results stood below the fair value, certain components of the standards were complied well by Commercial Bank of Ethiopia.

4.1.2.2.3. Conformance with the Code of Ethics

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

Table 4.19: Code of Ethics

Statement	N	Min	Max	Mean	SD
The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment.	52	1	5	4.17	.734
Internal auditors are familiar with the laws and regulations relevant to the banking industry and jurisdictions within which the bank operates.	53	3	5	4.25	.585
Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.	53	2	5	4.02	.635
Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.	52	1	5	4.27	.717
Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.	53	2	5	4.17	.700

Source: Questionnaire results analysis by SPSS.

The above five questions were derived from the code of ethics and used as a benchmark to measure the quality of conformance within Commercial Bank of Ethiopia and the related results were as follows.

According to the survey result Table 4.19 revealed that the code of ethics was considered adequate by an average mean value of 4.18. While the average standard deviation value of 0.67 was exhibited and witnessed that the variance of perception among internal auditors was low. The ethical frameworks or code of ethics conformance level of Commercial Bank of Ethiopia was adequate.

4.2. Discussion

This section discusses the findings gathered from in depth semi structured interview, document reviewed and questioner results with Commercial Bank of Ethiopia.

Three components of IIASs namely, attribute standards; performance standards and code of ethics were assumed to be affecting the practices of IPPF by CBE. These assumptions were statistically supported by the descriptive statistics and multivariate analysis. According to the finding the discussion presented as follows.

4.2.1. Internal Audit Activity (IAA)

Internal auditors are responsible for, independent, objective assurance and consulting activity designed to add value and improve the public body operations. The responsibilities include providing value-adding service to the organization.

The interview showed that the internal audit activity based on a systematic approach and, it includes the overall audit activity process which is planning, examining, and evaluating information from fieldwork, report, and follow-up. The result also specifies the scope, authority, and responsibility of IA and guides the conduct and documentation of internal audit work. This finding consistent with the finding of Rihana (2021) with recognized, internal assurance and consulting engagements must be performed in a systematic and disciplined manner to truly add value and improve operations.

Whereas the results infer, managing the IAA standard conformance level within

Commercial Bank of Ethiopia was healthy and exhibited by the average mean value of 3.97 toward the standard. The interview and document reviewed result shows that when developing the risk-based audit plan in Commercial Bank of Ethiopia, the V/P of IA consults with senior management and the board of directors to understand the strategies, key business objectives, associated risks, and risk management processes.

Furthermore, the engagement planning survey result shows, when planning the audit engagement, internal auditors consider the strategies and objectives of the activity & objectives established for each audit engagement. According to the survey findings, engagements standard conformance level was satisfactory. The average mean statistic value was above 4.00 which denoted the “strongly agree” level of the response scale. Moreover, the average standard deviation of 0.7 showed that no significant variance prevails among the participated CBE Internal Auditors in connection to the standards and implemented according to the stated standard within Commercial Bank of Ethiopia.

Furthermore, the study regarding the reporting standard reflected that Commercial Bank of Ethiopia was healthy which showed the average mean value of 3.87. the audit standard as stated here under: communications include the engagements, objectives, scope, and results; communications are accurate, clear, concise, constructive, complete, and timely; & the V/P IA review and approve the final engagement communication before issuance, and the overall opinion is passed taking into consideration of the Commercial Bank of Ethiopia strategies, objectives, and risks of the Bank. As Sawyer et al (2013) stated, in every situation, internal auditors must recognize and know how to effectively communicate at each different level of communication. When high levels of communication are developed with management, auditors can acquire knowledge that will significantly support audit evaluations. Fadzil et al. (2005) found that the audit work performance and scope greatly affect the communication and information perspectives of the internal control system.

In general, the overall results regarding the internal audit activity of Commercial Bank of Ethiopia showed internal audit functions in Commercial Bank of Ethiopia was performed according to the stated standard.

4.2.2. Objectivity & Independence

According to IIASs and the Public Enterprise proclamation of Ethiopia No. 25/1992 internal auditors need to have an impartial, unbiased attitude and avoid any conflict of interest. Regarding internal audit independence in Commercial Bank of Ethiopia, the reviewed document and the interview clarifies that; internal auditors do not participate in audit activities on operation areas of which they were responsible, internal auditors feel free to include any audit findings in their audit reports & if independence impairs in appearance, the details of impairment disclosed to appropriate parties of the bank. Moreover, auditors are strongly encouraged to refer to practice advisories in the interpretation & implementation of the specific standards.

The results of the study revealed that regarding objectivity & independence, there is no problems were observed in the bank. The internal audit objectivity and independence standard conformity showed as adequate and healthy in CBE by an average mean value of 4.2 and 3.95 respectively. Raghunandan and Mchugh (1994) recollect IA effectiveness as a characteristic of independence and objectivity. According to Christopher, Sarens & Leung (2009), Objectivity is essential for internal auditors' proper discharge of responsibilities. The interview, survey & document analysis results noted the internal audit objectivity & independence of Commercial Bank of Ethiopia confirm well with the standard.

4.2.3. Proficiency & Due professional Care

The survey result showed that the Commercial Bank of Ethiopia is dominated by older adulthood, more productive and well matured aged and experienced auditors who fall between 36-45 years of age with a study background of accounting and management, almost an equal share possess by degree and master holders. Concerning certification related to an internal audit of 99% of participants have no related certificate. In accordance, they state their internal audit department as moderately staffed.

Weakness in staffing can lead to mismanagement, error and neglect, and fraud, which can affect other controls. The size of internal audit staff and the competency of internal

audit are the critical characteristics of internal audit quality that can't be separated. This means at the absence of one dimension the other cannot contribute to the quality of internal auditors.

With regard to an interview and survey result, there is a gap in professional development training programs. The interviewees' state that, the training programs didn't get much attention and low deliberation was preset to the internal audit department. Moreover some of the internal auditors by their motives and expense participate and earned CIA professional certification. According to the survey result the compliance level of the attribute standard internal audit proficiency and due professional care standard was inadequate by the average mean values of 3.19. Furthermore, the variance in perception among internal auditors that responded for the standard is represented as low by the average standard deviation value of 0.82.

Both the amount of audit attempt and the fine of expert care exercised will decide the general fine of the inner audit work (Cohen and Sayag, 2010; Belay 2007). Arena and Azzone, (2009) moreover said that IA effectiveness grows particularly while the ratio among the wide variety of professional inner auditors and personnel grows. This shows that a sufficiently large number of skilled professionals enable the internal auditors to do their duties.

Technical competence and continuous training are considered essential for effective IA. Consistent with this thinking, Gramling, and Meyers (1997) discover that certification of internal auditors is perceived as an indicator of competence. Also, Al-Twajiry, Brierley, and Gwilliam (2003) argue that internal auditors could not have power unless they possess the necessary competencies. Given the comprehensive scope of contemporary IA, an IA department should employ internal auditors with a variety of skills to be able to undertake audits beyond financial activities (Flesher & Zanzig 2000). Furthermore, Butt (1988) and Libby & Frederick (1990) propose the importance of auditor experience in enhancing auditors' knowledge. Similarly, Bonner and Lewis (1990) deliberate years of experience as an indicator of auditors' knowledge and expertise.

4.2.4. Quality Assurance & Improvement Program (QAIP)

With regard to document review, an interview and survey result, CBE IA charter states, the V/P IA has to develop an effective QAIP to insure that the audit work is of high standard

and it includes both internal & external assessments. The internal assessment takes place by the internal auditors; And in accordance, the external quality assurance review shall be conducted at least once every five years, by individuals with appropriate professional knowledge and abilities and must be independent of the CBE. But, a gap observed, there is no objective evidence that showed external assessment conducted by independent assessor. In addition to this the interviewees' also state that for a long period of time CBE did not conduct the external assessments.

Furthermore, the survey result showed that the attribute standard, quality assurance and improvement program, a significant portion of the responses were reflected that the standard did not comply within Commercial Bank of Ethiopia by 2.60 average mean values. Moreover, the variance in perception among internal auditors was considered as low and reflected by the average standard deviation value of 0.80.

The QAIP standard regarding all its components; conformance level within CBE, based on the above facts, could be summarized and defined as poor. This result more elaborates that CBE lack awareness regarding the benefits that could be gained from the standard. In this consider Okibo & Kamau (2012) state compliance with quality assurance standards means carrying out both internal and external quality assessments.

To generalize the finding responses for an attribute standards had an average mean statistic of 3.307 and weak determinant for the practice of IPPF by CBE. Responses for performance standards had an average mean statistic of 3.79 and strong determinant for the practice of IPPF by CBE. Many researches including, Dellai, et al. (2016), Marais, et al. (2009), Turaev (2017), and Shaban (2013) have identified performance standards as an important determinant of IPPF compliance.

4.2.5. The Code of Ethics

According to the document reviewed and interview, the interviewees' mentioned that the code of ethics governs the behavior of individuals in conducting internal auditing. The respondents warranted that the code of ethics consider integrity, objectivity and impartiality, confidentiality & Professional competency. According to the CBE IA charter, internal auditors make a balanced assessment of all the relevant circumstances, and they are not unduly influenced by their interests or by others in forming judgments. And they mentioned that internal auditors respect the value & ownership of the information they receive; do not

disclose information without appropriate authority unless there is a legal or professional obligation so to proceed.

The survey result also revealed that the code of ethics was considered adequate within CBE by an average mean value of 4.18. Moreover, the standard deviation value, 0.67, was exhibited and witnessed that the variance of perception among internal auditors was low. The ethical frameworks or code of ethics conformance level within Commercial Bank of Ethiopia was adequate.

According to Burnaby et al (2009 p.831) to Compliance with the IIA's Code of Ethics and Standards is mandatory for those who provide internal auditing services. Thus, the findings of the present study appear to apply for the entire financial institutions particularly within commercial banks in Ethiopia.

4.3. Conclusion

In general, the discussions in this chapter endeavored to integrate the result of the qualitative & quantitative approaches to address the broad research objective inclusive of the research question. A mixed method applied the qualitative method was presented at the start of the research result & followed by the quantitative outcome at the second.

Mainly the in depth semi structured interview with Managers, Team leaders, senior internal auditors & internal auditors to evaluate the internal audit practices of Commercial Bank of Ethiopia using the IPPF as a benchmark. Thus the survey result supports the in depth semi structured interview, the data gathered through the questionnaire tested to verify the reliability of the instrument & subsequently analyzed using descriptive statistics. The descriptive statistics included mean value and standard deviation of each statement shows alignment with the performance standards and the code of ethics. According to attribute standard the survey result showed poor conformance. Hence, conformance with the Code of Ethics and the Standards demonstrates conformance with all mandatory elements of the IPPF. The standards, together with the Code of Ethics, encompass all compulsory features of the IPPF. As a final point, thus the subsequent chapter presented a conclusion & recommendation on this base.

CHAPTER 5

Major findings, Conclusion and Recommendation

5.1. Introduction

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. Considering these factors and basically dwelling the IIA International Professional Practicing Framework (IPPF) as a yard stick, this research assessed the internal audit practices of Commercial Bank of Ethiopia. Different parts of the IPPF were taken as a benchmark to gauge the current practices of internal auditing in Commercial Bank of Ethiopia.

These standards together with the code of ethics encompass all mandatory requirements of the IPPF. Hence, by taking this mandatory guidance a requirement of IPPF into consideration, the previous chapter presented results and analysis of the finding, while this chapter deals with the major findings, conclusions and recommendations provided based on the results of the responses from Interview, questionnaires and documents review. It has four parts; the first part presents summary of the findings and then followed by the conclusions that made for the study as a second part. The third and the last part of the chapter, highlights constructive recommendations that were supposed to curve the findings, and followed by possible future research areas that related to the topic under investigation.

5.2. Summary of research Major Findings

This research work has been able to evaluate the internal audit practices of CBE using the IPPF as a benchmark; hence based on the previous chapters and data analysis the findings of the research could be summarized into five parts and their detail is discussed as follow.

1. Findings that detected from respondents' profile:

- Out of 55 respondents that were participated in responding the research questionnaire, only 11 respondents (20%) were possessed the related certificates to the profession: 11- CIA certificates. Hence, the results clearly revealed that almost all internal auditors in Commercial Bank of Ethiopia have been conducting their IAAs through experiences and without acquiring adequate trainings and did not detach from the traditional way.
- With the exception of few respondents that responded about the adequacy of their

audit staffing, majority of the respondents replied that their audit departments moderately staffed in terms of number and competency.

2. Findings that detected from attribute related standards:

➤ Statements regarding internal audit objectivity and independence standard:

if independence or objectivity is impaired in fact or appearance, disclosure of the impairment to the appropriate parties; internal auditors do not participate in audit of activities for the operation of which they were responsible; and internal auditors feel free to include any audit findings in their audit reports conformance was agreed (by average mean values nearly 4 (agree)) but did not arrive to the point that satisfies the expectations of sound international auditing practices.

- The level of conformance with standards that related to internal audit staff proficiency and due professional care: including encouraged to demonstrate their proficiency by obtaining appropriate professional certifications and qualifications; application of the care and skill that expected from prudent and competent internal auditor; and whether internal auditors enhance their knowledge, skill and other competencies through continuing professional development, was inadequate and do not comply with the IASs.
- Regarding the QAIP conformance within Commercial bank of Ethiopia, almost all internal auditors responded that, QAIP standards have not been well known and carried out in their respective organizations by average mean values below 3 (normal).

3. Findings that identified from total attribute standards:

The aggregate results that reflected by attributes standards shown that in Commercial Bank of Ethiopia did not adequately comply with the standards by average mean and standard deviation values 3.307 and 0.606 respectively. Since the conformance level was inadequate or below fair, it did not satisfy the IAS (between agree and strongly agree; 4 and 5).

4. Gaps that observed in relation to performance standards:

Conformance with certain components that derived from performance standards: managing the IAA, communicating results and monitoring progress (follow up), was fair in Commercial Bank of Ethiopia and represented by average mean values nearly 4 (agree); however, their quality level was not raised as much as satisfactory (between agree and strongly agree; between 4 and 5).

5. Findings that related to the entire performance standards

While the aggregate conformance with all performance standards reflected that Commercial Bank of Ethiopia familiarized well and witnessed by the average mean and median values

3.79 and 4.00 respectively. The variance in perception among the respondent auditors was taken as high by average standard deviation value, 1.044; However, the quality level was not as much as satisfactory (between agree and strongly agree; 4 and 5).

Findings that related to the overall standards Review of the total standards (attributes and performance) exhibited that the conformance level at Commercial Bank of Ethiopia was healthy and supported by 3.55 average mean values and the average standard deviation value of 0.83. It reflected that there was no considerable variation among auditors perception. The level of conformance was not as much as satisfactory (between agree and strongly agree; 4 and 5).

5.3. Conclusions

The main objective of the study was to evaluate the internal audit practices of Commercial Bank of Ethiopia using the IPPF as a benchmark. In doing so, previous studies related to internal auditing were reviewed. Previously very few researches have taken into consideration internal audit-related topics in Ethiopia & to date, no research has been done by paying attention to the practices of internal audit in Commercial Bank of Ethiopia by considering the mandatory guidance standards. This situation heightened the need for more research to understand the internal auditing practices in Ethiopia. Three main components of IPPF namely, attribute standards; performance standards and code of ethics were tested against their impact towards the extent of practices of IPPF. The study were applied a mixed approach to get an advantage on the drawbacks of using one approach. Findings aided in concluding that the internal auditing within CBE was practiced to the expectation that satisfies the IPPF at a moderate level. Further, it was observed that all three components of IPPF are practiced at varying level by CBE. Among them, performance standard and code of ethics were fairly and adequately practiced at CBE while inadequate level of practice was noted in attribute standards. Accordingly, it can be concluded that CBE practices using IPPF in their internal audit function and among the IIASs, code of ethics and performance standards are practiced fairly while attribute standards are applied at inadequate level. The conclusions of the research could be summarized into the following parts and their detail is discussed as follow.

1. The analysis showed that in Commercial Bank of Ethiopia female internal auditors

participation was low & dominated by older adulthood & experienced internal auditors. With a study background of accounting and management, almost equal share by degree holders & master holders. The majority of the respondents from the internal auditors of Commercial Bank of Ethiopia replied that their department was moderately staffed in terms of number of staff and competency of the internal auditors.

2. The results reflected the internal audit activity of Commercial Bank of Ethiopia based on a systematic approach, & it included the overall audit activity processes which are planning, risk assessment & prioritization, fieldwork, report, and follow-up. The documented audit trial result supports this result. Whereas the analysis results imply, managing the IAA standard conformance level within Commercial Bank of Ethiopia was healthy and exhibited by the average mean value of 3.97 in aspects of the standard. All the related responses revealed that the standard has adequately complied with Commercial Bank of Ethiopia. These activities mainly related to the V/P of IA: while developing the audit plan consults the management; the IAAs plan and resource requirements including significant interim changes are communicated to the management for approval; ensures the appropriateness of resources; establishing policies and procedures to guide the IAA; shares information, coordinate activities and consider minimizing duplicate efforts; reports all IAs periodically to the management and final consideration of the plan for review.
3. The results indicated that regarding Internal audit objectivity and independence in internal audit practices of Commercial Bank of Ethiopia is in light with the requirements that include the existence of a dual reporting relationship among the audit department and the concerned organs of the Bank, the management, and the board. While the analysis results imply, the internal audit objectivity and independence standard conformance level within Commercial Bank of Ethiopia was adequate and healthy, and exhibited by the average mean value of 4.2 and 3.95 respectively, in aspects of the standard. Moreover, this shows that Commercial Bank of Ethiopia confirm the IA objectivity and independence standard.
4. The study revealed Internal auditors apply the needed care and skill expected from a reasonably prudent and competent internal auditor but, a gap was observed regarding continuous professional development training. The respondent clarifies this gap as a result

of the training programs didn't get much attention and low deliberation was preset to the internal audit department. Almost equal share of all internal audit employees of the internal audit department are degree and master holders and capable to compute and effectively operating due professional. However, the internal audit process is not giving the necessary training and development program that could enhance the auditors' skills and experience to audit all the Banks systems by preparing a proper plan for risk identification. The internal auditors in the internal audit process in general do not have an additional required certification that may help the internal auditors to conduct an effective audit. Gaps were observed in due professional care & development regarding professional development training and certification. The survey result showed that in Commercial Bank of Ethiopia only 20% internal auditor has CIA or audit related certification. In addition to this the analysis results imply, internal audit proficiency and due professional care standard level within Commercial Bank of Ethiopia was inadequate and exhibited by the average mean value of 3.19 in aspects of the standard.

5. The quality assurance and improvement program include both internal & external assessments. The external quality assurance review shall be conduct at least once every five years, by individuals with appropriate professional knowledge and abilities and must be independent of the CBE. But, a gap observed, in Commercial Bank of Ethiopia there is no objective evidence that showed external assessment conducted by independent assessor. In addition to this the internal Auditors' also state that for the long period of time CBE did not conduct the external assessments. While the analysis results imply, quality assurance, and improvement program, conformance level within Commercial Bank of Ethiopia was poor and exhibited by the average mean value of 2.60 in aspects of the standard and there was a high degree of non-compliance with quality assurance & improvement programs standards.
6. The professional ethical frameworks integrity, objectivity, confidentiality, and competency in Commercial Bank of Ethiopia exhibited as per the international professional practices framework and conventional in all aspects.

To sum up, the finding of this study indicated conformance with certain components that derived from attributes related standards: internal audit objectivity and independence standard, adequate to the point that satisfies the expectations of sound international auditing practices. However, gaps were observed in quality assurance & improvement program, due

professional care & development regarding professional development training and certification. As well as conformance with certain components that derived from performance standards; managing the IAA, monitoring progress & communicating results was fair in Commercial Bank of Ethiopia. Engagement planning, nature of work, and performing the engagement results was adequate in Commercial Bank of Ethiopia.

Institute of Internal Auditors (IIA) declared the Standards, together with the Code of Ethics, encompass all mandatory elements of the IPPF; therefore, conformance with the Code of Ethics and the Standards demonstrates conformance with all mandatory elements of the IPPF.

In general, the mandatory guidance requirements conformance level within the Commercial Bank of Ethiopia moves up to the expectation that satisfies the IPPF. This finding rejects Bekele W/senbet (2019) finding that concluded, internal auditing was not practiced to the expectation of international standards by many government organizations of Ethiopia. And Tamiru (2018) and Ashenafi (2018), findings that related to financial institutions specifically selective private commercial banks in Ethiopia did not move up to the expectation that satisfies the international auditing standards.

5.4. Recommendations

5.4.1. Recommendation on the research findings

Based on the conclusions of the research the following recommendations were given:

1. Due to poor conformance with QAIP standards:
 - The V/P of IA should develop a QAIP that covers all aspects of the IAA that includes both internal and external assessments;
 - CBE should provide training to auditors that provide sufficient knowledge of internal audit practices requires at least an understanding of all elements of the IPPF.
 - CBE should conduct a periodic assessment to evaluate conformance with the code of ethics and the standards.
 - The external assessments should be conducted at least once every five years by a qualified, independent assessor outside of CBE.

2. Due to inadequate conformance with the IA staff proficiency and due professional care:

- CBE should encourage internal auditors to demonstrate their proficiency by obtaining appropriate professional certifications and qualifications. And approve a budget for professional certification and qualification and continuing professional developments for Internal Auditors.
- CBE should enhance internal auditors' knowledge, skill, and other competencies through continuing professional development.
- To produce effective audit, Commercial Bank of Ethiopia should offer opportunity for certification in CIA, CISA, CEF and ACCA.

3. Well conformance with certain mandatory guidance requirements:

The existing healthy conformance with certain mandatory guidance elements of the IPPF should be kept up and goes to the sound conformance level by all elements in Commercial Bank of Ethiopia with regard to: management of the audit charter; the internal audit objectivity and independence; engagements planning; performing the engagement (field work); nature of the audit work; and the code of ethics.

Finally to gain more benefit from their audit department, Commercial Bank of Ethiopia should give due consideration to satisfy the adequacy of their audit staffing and allocation of the related resources.

5.4.2. Directions for future research areas

Since to-date, the internal audit profession in Ethiopia was not discovered adequately. Thus, this research would benefit Commercial Bank of Ethiopia and other stakeholders including government enterprises and all private commercial banks that are concerned to adequately establish their internal audit department and benefit from the profession through viewing sound practices of internal auditing as a criterion.

Due to limited studies done in Ethiopia, and now a day the global internal audit standards ready for revision the proposed standards released for public comment after a few months may late 2023 release the new standards more researchers are encouraged to conduct research on issues that related to the practices of internal audit in different industries including private owned banks by taking the same but revised bench mark, the mandatory guidance elements of IPPF.

Since it is so fertile and wide in scope to set the whole IPPF as a criteria, various researchers that are interested in the study area could select the mandatory and recommended guidance elements of the IPPF separately and even focus on specific areas of IPPF based on their will and the upcoming research gaps. Furthermore future research directions could also be identified to determine whether complying IASs by using IPPF is beneficial for Commercial banks; to examine how CBE should most effectively coordinate their in-house, outsourced and co-sourced IAFs; and to determine how internal auditors should be educated and trained so that they obtain the desired business intelligence and insights most effectively doing their profession.

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Appendix I: Questionnaire

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

Dear Participant:

The title of this thesis is “Evaluating the Internal audit practices of Commercial Bank of Ethiopia using the International Professional Practices Framework (IPPF) as a bench mark”

The name of the researcher is Tsegaye Kebede who is currently an Msc in Accounting and Finance student at the College of Business and Economics of the Addis Ababa University.

The aim of this study is to evaluate the internal audit practices of Commercial Bank of Ethiopia by taking the IPPF as a bench mark. This questionnaire is prepared to supplement the data obtained from other sources and being distributed to get relevant information from respondents and participation is totally voluntary. The investigator respectfully requests your kind cooperation in answering the whole question as frankly as possible and your response will be recorded anonymously and strict confidentiality will be maintained.

Thank you in advance for your time and kind cooperation.

For further information, please contact using the following address:

Tel. (mobile): 0924406784

E mail: tsegayekete@gmail.com

Part One: Demographic Data of the Respondent

(Please tick the box for the alternatives that best describes your choice)

1. Gender :

Male

Female

2. Age:

18-25Years

36-45 Years

56 and above

26-35 Years

46-55Years

3. Area of study:

Accounting Management Economics Other please specify.....

4. Educational Level:

Diploma BSC/BA MSC/MA/MBA Others please specify.....

5. Any certification related to the profession:

ACCA CPA CIA No related certification Others please specify. ...

6. What is your current position in the bank?

Manager Team Leader Senior Internal Auditor Internal auditor

Others please specify.....

7. Total years of auditing experience including the current position:

Less than 5 years 5-10 years 11-15 years
16-20 years Above 20 years

8. Your internal audit unit/department staffing in terms of:

(a) Number

Adequately staffed Moderately staffed Poorly staffed

(b) Competency (skill and knowledge)

Adequately staffed Moderately staffed Poorly staffed

Part Two: Relating the study variables

The following statements on attributes of internal audit practices in your organizations, please show your choice the scale ranging from strongly disagree to strongly agree by circle the number closest to your view under the appropriate cell in the table.

Where: SD – Strongly Disagree D – Disagree N – Neutral A – Agree SA – Strongly Agree

The value of the Likert scale types are:

1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree 5= Strongly Agree

S.No	Subject	Attribute Standards	SD	D	N	A	SA
1		A. Statement regarding internal audit objectivity					
1.1.	Internal audit charter	The internal audit charter defines the internal audit activity's purpose, authority and responsibility.	1	2	3	4	5
1.2.	Internal audit charter	The mandatory elements of the international professional practices framework are recognized in the internal audit charter.	1	2	3	4	5
1.3.	Independence and Objectivity	The internal audit activities are independent, and internal auditors are objective in performing their work.	1	2	3	4	5
1.4.	Organizational Objectivity	There is a dual reporting relationship the head of Audit report functionally to the audit committee and to the president.	1	2	3	4	5
1.5.	Individual objectivity	Internal auditors have an impartial, unbiased attitude and avoid any conflict of interest.	1	2	3	4	5
1.6.	Impairment to independence or objectivity	If independence or objectivity is impaired in fact or appearance, the details of the impairment are disclosed to appropriate parties.	1	2	3	4	5
2		B. Statement regarding internal audit Independency					
2.1.	Organizational independence	The internal audit activities are free from interference in determining the scope of internal auditing, performing work and communicating results.	1	2	3	4	5
2.2.	Organizational independence	Organizational independence is achieved when the chief audit executive reports functionally to the board.	1	2	3	4	5
2.3.	Individual independence	Internal auditors do not participate in audit of activities for the operation of which they were	1	2	3	4	5

		responsible.						
2.4.	Individual independence	Internal auditors feel free to include any audit findings in their audit reports.	1	2	3	4	5	
3		C. Statements regarding the internal audit staff proficiency and due professional care						
3.1.	Proficiency	Internal auditors possess the knowledge, skills, and other competencies needed to perform their individual responsibilities.	1	2	3	4	5	
3.2.	Proficiency	Internal auditors are encouraged to demonstrate their proficiency by obtaining appropriate professional certifications and qualifications.	1	2	3	4	5	
3.3.	Proficiency	Internal auditors have sufficient knowledge to evaluate the risk of fraud and the manner in which it is managed by the organization.	1	2	3	4	5	
3.4.	Proficiency	Internal auditors have sufficient knowledge of key information technology risks and controls and available technology based audit techniques to perform their assigned work.	1	2	3	4	5	
3.5.	Due Professional Care	Internal auditors always apply the care and skill expected of a reasonably prudent and competent internal auditor.	1	2	3	4	5	
3.6	Due Professional Care	Internal auditors consider the use of technology-based audit and other data analysis techniques.	1	2	3	4	5	
3.7.	Due Professional Care	Internal auditors are alert to the significant risks that might affect objectives, operations, or resources.	1	2	3	4	5	
3.8.	Continuing Professional Development	Internal auditors enhance their knowledge, skill, and other competencies through continuing professional development.	1	2	3	4	5	
4		D. Statements regarding Quality Assurance and Improvement Program (QAIP)						
4.1.	QAIP Require	The quality assurance and improvement program	1	2	3	4	5	

		includes both internal & external assessments.					
4.2.	Internal Assessments	Sufficient knowledge of internal audit practices requires at least an understanding of all elements of the International Professional Practices Framework.	1	2	3	4	5
4.3.	Internal Assessments	Ongoing monitoring is an integral part of the day-to-day supervision, review, and measurement of the internal audit activity.	1	2	3	4	5
4.4.	Internal Assessments	Periodic assessments are conducted to evaluate conformance with the Code of Ethics and the Standards.	1	2	3	4	5
4.5.	External Assessments	The external assessment is conducted at least once every five years by a qualified, independent assessor from outside the organization.	1	2	3	4	5
4.6.	Reporting on the QAIP	The chief audit executive communicates the results of the quality assurance and improvement program to senior management and the board.	1	2	3	4	5
4.7.	Use of conform with standards	The internal audit activity conforms with the code of ethics and the standards when it achieves the outcomes described therein.	1	2	3	4	5
4.8.	disclosure the non-conformance	The chief audit executive discloses the non-conformance and the impact to senior management and the board.	1	2	3	4	5
II. Performance Standards							
5		E. statement regarding managing the internal audit activity					
5.1.	Managing the Internal Audit Activity	The internal audit activity adds value to the organization and its stakeholders when it considers strategies, objectives, and risks.	1	2	3	4	5
5.2.	Planning	While developing the risk-based audit plan, the chief audit executive consults with senior management and the board and obtains an	1	2	3	4	5

		understanding of the organizations strategies, key business objectives, associated risks, and risk management processes.					
5.3.	Communication & Approval	The chief audit executive communicates the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the board for review and approval.	1	2	3	4	5
5.4.	Resource Management	The chief audit executive ensures that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.	1	2	3	4	5
5.5.	Policies & Procedures	The chief audit executive establishes policies and procedures to guide the internal audit activity.	1	2	3	4	5
5.6.	Coordination & Reliance	The chief audit executive shares information, coordinate activities and consider relying upon the work of other assurance and consulting service providers.	1	2	3	4	5
5.7.	Reporting to the Senior management & the Board	The chief audit executive reports periodically to senior management and the board on the internal audit activities and performance relative to its plan and on its conformance with the Code of Ethics and the Standards.	1	2	3	4	5
6		F. Statements regarding nature of the work					
6.1.	Governance	The internal audit activity assesses and makes appropriate recommendations to improve the organizations governance processes.	1	2	3	4	5
6.2.	Risk Management	The internal audit activity evaluates the effectiveness and contributes to the improvement of risk management processes.	1	2	3	4	5
6.3.	Control	The internal audit activity assists the organization in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.	1	2	3	4	5

7		G. Statements regarding engagements planning						
7.1.	Planning Considerations	In planning the audit engagement, internal auditors consider the strategies and objectives of the activity being reviewed.	1	2	3	4	5	
7.2.	Engagement Objectives	Objectives established for each audit engagement concerning reflecting the results of the assessment, the probability of significant errors, fraud, noncompliance, and other exposures.	1	2	3	4	5	
7.3.	Engagement Scope	The established scope is sufficient to achieve the objectives of the engagement: it includes consideration of relevant systems, records, personnel, and physical properties.	1	2	3	4	5	
7.4.	Engagement Resource Allocation	Internal auditors determine appropriate and sufficient resources to achieve engagement objectives based on the nature and complexity of each engagement, time constraints, and available resources.	1	2	3	4	5	
7.5.	Engagement Work Programs	Internal auditors develop and document work programs (include procedures) that achieve the engagement objectives.	1	2	3	4	5	
8		H. Statements regarding performing the engagement						
8.1.	performing the engagement	Internal auditors identify, analyze, evaluate, and document sufficient information to achieve the engagement's objectives.	1	2	3	4	5	
8.2.	Identifying Information	Internal auditors identify sufficient, reliable, relevant, and useful information to achieve the engagement's objectives.	1	2	3	4	5	
8.3.	Analysis and Evaluation	Internal auditors base conclusions and engagement results on appropriate analyses and evaluations.	1	2	3	4	5	
8.4.	Documenting Information	Internal auditors document sufficient, reliable, relevant, and useful information to support the	1	2	3	4	5	

		engagement results and conclusions.						
8.5.	Engagement Supervision	Audit engagements are properly supervised to ensure that objectives are achieved, quality is assured and staffs is developed.	1	2	3	4	5	
9		I. statement regarding communicating result						
9.1.	Criteria for Communication	Communications include the engagement's objectives, scope, and results.	1	2	3	4	5	
9.2.	Quality of Communication	Communications are accurate, objective, clear, concise, constructive, complete and timely.	1	2	3	4	5	
9.3.	Errors & Omissions	While a final communication contains a significant error or omission, the chief audit executive communicates the corrected information to all parties who received the original communication.	1	2	3	4	5	
9.4.	Conformance with Standards	Engagements are conducted in conformance with the International Standards of Internal Auditing and it supported by the results of the quality assurance and improvement programs.	1	2	3	4	5	
9.5.	Disclosure of Non- Conform	When non-conformance with the Code of Ethics or the Standards impacts a specific engagement, the results disclose with which full conformance was not achieved, the reason, its impact and the communicated engagement results.	1	2	3	4	5	
9.6.	Disseminating Results	The chief audit executive review and approve the final engagement communication before issuance and for deciding to whom and how it will be disseminated.	1	2	3	4	5	
9.7.	overall opinion	When an overall opinion is issued, it takes into account the strategies, objectives, and risks of the organization.	1	2	3	4	5	
10		J. Statements regarding monitoring progress						
10.1.	Establishing Follow up	The chief audit executive establishes a follow-up process to monitor and ensure that management	1	2	3	4	5	

	Process	actions have been effectively implemented or that senior management has accepted the risk of not taking action.					
10.2.	Communicating the Acceptance of Risks	When the chief audit executive concludes that management has accepted a level of risk that may be unacceptable to the organization, s/he discusses the matter with senior management. If the matter has not been resolved, s/he communicates the matter to the board.	1	2	3	4	5
III. Code of Ethics							
11.1.	Integrity	The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment.	1	2	3	4	5
11.2.	Integrity	Internal auditors are familiar with the laws and regulations relevant to the banking industry and jurisdictions within which the bank operates.	1	2	3	4	5
11.3.	Objectivity	Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.	1	2	3	4	5
11.4.	Confidentiality	Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.	1	2	3	4	5
11.5.	Competency	Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.	1	2	3	4	5

If you have any additional comment regarding the topic, please specify -----

Again thank you so much, for your responses!

