



THE EFFECT OF INTERNAL AUDIT ON FINANCIAL PERFORMANCE OF COMPANY; THE CASE OF ETHIOPIAN AIRLINES GROUP

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Statement of declaration

I confirm that this thesis is my original work and has not been presented for a degree in any other university and that all sources of materials used for the thesis have been duly acknowledged.

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List of Acronyms and Abbreviations

AAS: Auric Air Services

ACI: Airport Council International

AICPA: American Institute of Certified Public Accountant

CEO: Chief Executive Officer

CFO: Chief Financial Officer

COVID-19: Corona Virus Disease of 2019

EAL: Ethiopian Airlines

EDP: Electronics Data Processing

ETAG: Ethiopian Airlines Group

ET: Ethiopian

ETB: Ethiopian Birr

GDP: Gross Domestic Product

IA: Internal Audit

IATA: International Air Transport Association

IAS: International Accounting Standards

ICAO: International Civil Aviation Organization

IMF: International Monetary Fund

NA: Northern Air

PESTEL: Political, Economic, Social, Technological, Environmental and Legal Factors

RPK: Revenue Passenger Kilometers

STATA: South Texas Art Therapy Association

USD: United State Dollar

UNWTO: United Nation World Trade Organization

WTO: World Trade Organization

Abstract

In the area of information, internal audit is established as an essential means for the exact management of any business economic resources. However, the necessity which issues from the administration, for distinguished management of the available resources, incalculable expenses, limitation and evasion of misconduct, imposes internal auditing as a key factor in the business management effort. The overall objective of this study was primarily concerned with exploring Internal Audit impact on airline company the case of EAL. The specific objective includes evaluating the structure of company's overall Internal Audit system, identifying challenges facing the internal audit system assessing the effect of internal audit on the financial performance of EAL through its activities/function impact and assessing the effect of internal audit on the financial performance of Ethiopian Airlines through management tools. The motive was to provide comparative empirical support for policy formulation, implementation and rectification with regard to the effectiveness and challenges of IA whilst contributing to the limited body of knowledge on auditing in airline business especially in Ethiopia perspective and Africa in general. The research used Explanatory (Causal) research method, the primary data was collected using Likert scale questionnaire distributed to internal audit and finance department staffs and interview with higher managements were also conducted. Secondary data through review of documents, internal audit policies, charter and reports. Judgmental and Simple random sampling techniques were used in selection of the sample. Both descriptive and inferential analysis were applied. According to the regression output the internal audit activities affect the company financial performance significantly and positively. Finally, a conclusion and recommendation have been made based on the result got from the study.

Key words: Internal audit activities/functions, Deployment of internal audit tools by the management & Company's financial performance.

Chapter One: Introduction

This chapter contains the essence of Internal Audit, financial performance and introduces the company that was the subject of the research. Likewise, it has also encompassed the problem statement, research questions and objectives arising there from. The significance of the study, scope of the study, and limitation of the paper are also covered in this chapter.

1.1 Background of the Study

In the current 21st century, an unprecedented array of technological, political, and economic events has changed the nature of business and the risks organizations face. Some auditors now believe, however, that the audit methodology that was appropriate for the industrial age may not be sufficiently broad for the information age, when assets are intangible, commerce is electronic, markets are global, and the pace of change is ever-accelerating. Aware of how these factors pose new risks for organizations, and how they have the potential to significantly affect financial reporting, some auditors are expanding their approaches to the financial statement audit (Elliott et al., 1999, pp. 4-5).

Internal Audit

Audit period, generally comes from the Latin word „audire”- to listen and inform others. In Anglo-Saxon countries today, the term signifies an overhaul of accounting and other information, performed by an independent professional in order to express an opinion on the regularity and sincerity audited information ("Internal Audit," n.d.).

Audit in general, is a systematic process of objectively obtaining and evaluating the information or statements to assess their degree of compliance with predetermined criteria, and communication of results to interested users. The audit consists of checking and certifying the financial statements by an independent expert to provide an opinion on the facts and accuracy of the data contained therein. The role of audit is to provide users with information on the principles and accounting practices and accounting and presentation of financial statements accurate picture, clear and complete financial position and financial performance of the company ("Internal Audit," n.d.).

The occurrence of internal audit and external audit is closely linked to development of the economic crisis of 1929 in the United States, according to the specialist Jacques Renard, when businesses were fully affected by the economic secession. Employers were interested in reducing taxes and fees so that all accounts containing transactions generating taxes and fees,, have been thoroughly analyzed in order to find the possibility of reducing the taxable supply or transactions for which fees were paid improperly” (“Internal Audit," n.d.).

Internal auditing serves as an important link in the business and financial reporting processes of corporations and not-for-profit organizations. Internal auditors play a key role in monitoring a company’s risk profile and identifying areas to improve risk management. The aim of internal auditing is to improve organizational efficiency and effectiveness through constructive criticism. Internal Auditing has four main components: vie; verification of written records, analysis of policy, evaluation of the logic and completeness of procedures, internal services and staffing to assure they are efficient and appropriate for the organization’s policies; and reporting recommendations for improvements to management.

Indeed, Internal Audit has become an indispensable management tool for achieving effective control in both public and private organizations. Control mechanisms are those processes set up to monitor and to direct, promote or restrain the various activities of an enterprise for the purpose of seeing that enterprise objectives are met. By detecting weaknesses in management operations, Internal Auditing provides a basis for correcting deficiencies that have eluded the first line of defense before these deficiencies become uncontrollable or are exposed in the external auditor’s report (Ramamoorti, 2003).

Financial Performance

For a long time, financial performance has been perceived only through its ability to obtain profits. This changed over time, today the concept of performance having different meanings depending on the user perspective of financial information. A company can be categorized as global performance if it can satisfy the interests of all stakeholders: managers are interested in the welfare and profit of the company they oversee, because their work is appreciated accordingly; owners want to maximize their wealth by increasing the company’s market value (this objective can only be based on profit); current and potential shareholders perceive

performance as the company's ability to distribute dividends for capital investment, given the risks they take; commercial partners look for the solvency and stability of the company; credit institutions want to be sure that the company has the necessary capacity to repay loans on time (solvency); employees want a stable job and to obtain high material benefits; the state seeks a company to be efficient, to pay its taxes, to help creating new jobs, etc.

The analysis of corporate financial performance has a special significance for the management, in their attempt to maintain the company's stability and to increase its market share. Effectiveness of company managers and resource efficiency affect directly the development of the state in which they operate, by obtaining positive financial results. The main objective became establishing the key factors that determine corporate performance, in order to remove negative influences and to enhance those with positive impact on business ("Determinants," n.d.).

1.2 Background of the Organization

In 1946, when most of Africa was still under colonial rule, aviation would have been considered an "alien industry" for Ethiopia, a poor African country totally reliant on subsistence agriculture with an illiteracy rate of more than 96 percent. When EAL was first established, Ethiopia had only two secondary schools and no tertiary institution. Influential mainstream economists of the day would have advised that an aviation industry was out of line with Ethiopia's comparative advantage.

Over the past seven decades, more than 5,000 airlines have secured International Civil Aviation Organization (ICAO) codes, but only a small number have survived beyond 10 years. EAL is one of them. Its journey is thus a rare African catch-up story, teaching the centrality and complexity of technological learning and the role of a disciplined state in building a national champion. It gives hope to African policy makers that, despite the odds and numerous internal and external constraints, catching up are possible even for late-latecomers in the early 21st century (Oqubay&Tesfachew, 2019).

From a very humble beginning to a Leading African Aviation Group, Ethiopian Airlines has come along 70 plus years of successful journey. Of course, Ethiopian is aging beautifully.

Throughout the past seven decades, the airline has established itself as adept in all facets of the aviation industry: technology leadership, network expansion and aviation mentoring.

Ethiopian started operation with the first 5 C-47 aircraft, scraps of 2nd World War, back in 1946 during its debut flight to Cairo via Asmara. Ever since, Ethiopian has been growing in leaps and bounds and has kept on introducing new aviation technology and systems, with so many firsts in the history of African aviation as an aircraft technology leader; providing the first jet service in the continent, availing the first African B767, the first African B777-200LR in 2010 and the first African and second only to Japan B787 Dreamliner in 2012. In a continuation of that tradition, Ethiopian was the first in Africa to acquire Airbus A350 XWB, introducing the extra effect to the African continent.

Leading the way once again, Ethiopian was the first African Airline to operate the latest Boeing 787-9 in 2017. Below the industry average, Ethiopian currently operates 123 of the young and most modern fleet, with less than five years of age, and has 50 fleet on order. Living its motto of Bringing Africa Together and Beyond, Ethiopian has created a missing link through its vast African network to 62 cities and more than 125 international passenger and cargo destinations, with daily and more flights, with a minimum layover in Addis Ababa. As a veteran African carrier, Ethiopian has positioned vast Intra-Africa network better than any Airline.

Ethiopian has achieved the result in the backdrop of aggressive foreign carriers' penetration into the African market with the African airline industry collectively forecasted to lose money. During the fiscal year, its operating revenue rose by 43% from previous fiscal year and with a net profit of 6.8 billion ETB (Ethiopian Airlines [EAL], 2017/18).

Ethiopian is currently implementing a 15-year strategic plan called Vision 2025 that will see it become the leading airline group in Africa with seven strategic business units. Ethiopian joined Star Alliance, the world's largest Airline network, in December 2011. Ethiopian is a multi-award winning airline including: SKYTRAX Best Airline Staff Service in 2013 & 2016, 'Best African Airline' in 2017, 2018 & 2019, and Four Star Airline Certification in 2017. Ethiopian has been registering an average growth of 25% per annum for the past seven years (EAL 2019).

1.3 Problem Statement

The financial statement audit is an important tool for reducing information asymmetries and maintaining an efficient market environment. However, if the audit is to improve financial performance, there must be credibility and reliability as regards audited financial information.

The auditor typically emphasizes the comparison of financial information with anticipated and prior-year results. The auditor also studies the relationship of financial and nonfinancial data by focusing on operational statistics developed independently of the accounting process and their relationship to current accounting data. It is this aspect of analytical review procedures, as it pertains to the airline industry that this section will address.

Various studies on this topic include: Oscar (2019) tried to assess' internal audit practice and financial performance of banks in Tanzania, where the case study was CRDB bank. From the finding there is a very high extent that there is a positive relationship between internal audit quality and financial performance. Asamu, Otekunrin, &Falaye(2019) established that airlines cannot function effectively without internal control with their study on the impact of internal control on the financial performance on Nigerian airline industry.

Mohamed (2014) researched the internal audit in private domestic airlines the case on Auric Air services and Northern Air, Tanzania and with his conclusion the internal auditing system must have the commitment of senior management. Without their approval, support, and encouragement, the internal audit process is doomed for failure and worse-time and money wasted. From the theoretical and empirical literature review that has been elaborated above, it is obvious that various studies have been conducted on internal audit and the financial performance of the airline industry, but majority of the studies conducted are not exhaustive.

This research was different from all the above mentioned as it will specifically look at internal audit as a factor affecting financial performance of Ethiopian Airlines. Major researchers concentrated on trend and comparison analysis of the airlines financial performance. This study seeks to fill the knowledge gap by establishing the impact of Internal Audit on financial performance in EAL Group. The study will have a look at the internal audit function in EAL Group, the role they play in the organization, internal audit and asset management and how the effect on financial performance.

1.4 Research Questions

The study has developed the following research questions.

1. How strongly structured is the overall IA system of EAL?
2. What are the challenges facing the internal audit system of EAL?
3. Do the IA activities/functions affect the financial performance of EAL?
4. Does the management deploy Internal Audit Management tools to manage the impact on the financial performance?

1.5 Research Objective

1.5.1 General Objective

The overall objective of this study is to examine the impact of internal audit on financial performance of Ethiopian Airlines Group.

1.5.2 Specific Objectives

The specific objectives of the study are listed here under.

- ✓ To evaluate the structure of company's overall Internal Audit system.
- ✓ To identify challenges facing the internal audit system.
- ✓ To assess the effect of internal audit on the financial performance of EAL through its activities/function impact.
- ✓ To assess the effect of internal audit on the financial performance of Ethiopian Airlines through internal audit management tools.

1.6 Value of the Study

This study may help Ethiopian airlines in increasing the role and image of Internal Audit to make it more effective, valuable and professional.

The study will also support the management of Ethiopian, to have an utterly independent internal audit function thus making it more effective and by implementing the recommendations given on internal audit reports; executives will be able to improve performance of the Airline.

For scholars it will help them to appreciate and enhance their knowledge of internal audit so as to adhere to the professional ethics as required by the IAS. Also, the findings of the study will act as a stepping stone for future students and researchers who want to conduct studies on the same

or similar topics. The study will broaden the researcher's insights on Internal Auditing which is the most current issue facing largest corporations.

1.7 Scope and Limitation of the Study

Due to geographical scope the study has only focused on Ethiopian Airlines as it is the only public airline operated in the country and it is difficult to include the internal audit impact on the financial performance of another airline for there is no private airline in the same status as Ethiopian Airlines and selecting a foreign airline is not feasible at this stage. The new unforeseen pandemic disease (COVID-19) was a major impact on the data collection and time and cost of the study. Due to the confidentiality policy of the company, getting some very off the record Audit reports was also.

1.8 Organization of the research

The study included five chapters. The first chapter dealt with the Background information's, statement of the problem, objective of the study and significance of the study. Chapter two dealt review of relevant literature on the research problems and concepts with specific reference to how it applies to Ethiopian airlines. The third chapter shows research design and methodology. Chapter four presents the primary and secondary data analysis and interpretation. Lastly chapter five contains conclusion and recommendation of the study.

Chapter Two: Literature Review

2.1 Introduction

This section will provide an overview of the definitions of terms most common in auditing. Other terms, however, shall be defined in the relevant sections of this study as the need arise. In the theoretical literature review, various key terms, issues and concepts are dealt with and explained. In the empirical literature review, evidence from previous studies and practitioners is discussed.

2.2 Theoretical Framework

In the theoretical literature review, various key terms, issues and concepts are dealt with and explained. There are several different theories that may explain the demand for audit services. Some of them are well known in research and some of them are more based on perceptions. The most prominent and widely used audit theory is the agency theory (Ittonen, 2010).

2.2.1 The concept of Audit

The concept of audit will be analyzed under (i) Defining Audit; (ii) Need for Auditing; (iii) Responsibilities of Internal Audit & Audit Committee; (iv) Code of Ethics; (v) Features and prospects of Audit and (vi) factors affecting internal audit

Etymologically, the word ‘audit’ is derived from the Latin word, ‘audire,’ which means ‘to hear’. Thus in the beginning, the word ‘audit’ was meant ‘to hear’ and auditor literally meant a “hearer”. The hearing function by the auditor was then aimed at declaring that the accounts kept by the management and the financial statements prepared by them were ‘true and correct’. And his function was to give assurance against fraud and intentional mismanagement. Gradually, this hearing function of the auditor was transformed into verifying function. Hence the principal purpose of independent auditing now is to form an opinion on the accuracy, reliability and fairness of accounting elements presented in the financial statements of enterprises, and to make this information available to external users

2.2.1.1 Definition of Internal audit

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 Institute of Internal Auditors, 2012).

It 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.

This definition recognizes two roles for internal audit: (1) to provide an independent assurance service to the board, audit committee and management, focusing on reviewing the effectiveness of the governance, risk management and control processes that management has put into place.

(2) To provide advice to management on governance risks and controls, for example, the controls that will be needed when undertaking new business ventures (Institute of Chartered Accountants in England & Wales, 2004)

2.2.1.2 The Need for Auditing

The demand for audit arises from the potential conflict of interest that exists between stakeholders and managers. The contractual arrangement between these parties normally requires that management issue a set of financial information that purports to show the financial position and results of operations of the entity ("Theoretical Issues," n.d.).

The presented below is analysis for the theories that advocate the need for performing auditing and they are as the following: (a) Agency Theory; (b) Policeman Theory; (c) Credibility Theory; (d) Moderator of Claimants Theory; (e) Quasi-Judicial Theory; and (f) Theory of Inspired Confidence.

a) Agency Theory:

What is an agency relationship?

An agency relationship arises when one or more principals (e.g. an owner) engage another person as their agent (or steward) to perform a service on their behalf. Performance of this service results in the delegation of some decision-making authority to the agent. This delegation of responsibility by the principal and the resulting division of labour are helpful in promoting an efficient and productive economy. However, such delegation also means that the principal needs

to place trust in an agent to act in the principal's best interests. What happens when concerns arise over the motives of agents and cause principals to question the trust they place in them (Institute of Chartered Accountants in England & Wales, 2005).

Agency theory

A simple agency model suggests that, as a result of information asymmetries and self-interest, principals lack reasons to trust their agents and will seek to resolve these concerns by putting in place mechanisms to align the interests of agents with principals and to reduce the scope for information asymmetries and opportunistic behavior (Institute of Chartered Accountants in England & Wales, 2005).

Auditors as agents

If as simple agency theory implies, principals do not trust agents to provide them with reliable and relevant information, then they will hire in external experts, who are independent of these agents. This, however, introduces the concept of auditors as agents of principals, which leads to new concerns about trust, threats to objectivity and independence.

Auditors act as agents to principals when performing an audit and this relationship therefore brings with it similar concerns with regard to trust and confidence as the director-shareholder relationship, prompting questions about who is auditing the auditor. Agents (whether they are directors or auditors) may be trustworthy without a need for further incentives to align interests or monitoring mechanisms such as audit or increased regulation. However, the simple agency model would suggest that agents are untrustworthy. Like directors, auditors will have their own interests and motives to consider. For example, auditors may be risk averse and being conscious of their potential liability, introduce risk management processes that result in limitations in the scope of their work and caveats in their reports which principals may find frustrating.

Auditor independence from the board of directors is of great importance to shareholders and is seen as a key factor in helping to deliver audit quality. However, an audit necessitates a close working relationship with the board of directors of a company. The fostering of this close relationship has led (and continues to lead) shareholders to question the perceived and actual

independence of auditors and to demand tougher controls and standards over independence to protect them (Institute of Chartered Accountants in England & Wales, 2005).

According to [Hermanson et al., 1993:5], there are four conditions in the business environment which create a demand for an independent audit. They are: Conflict of interest, Consequence, Complexity and Remoteness.

Conflict of interest: A company's financial statements are prepared by its directors and these directors are essentially reporting on their own performance. Users of the financial statements want the statements to portray the company's financial performance, position and cash flows as accurately as possible. However, they perceive that the directors may bias their report so that it reflects favorably on their management of the company's affairs. Thus it can be seen that there is a potential conflict of interest between the preparers and users of the financial statements. The auditors play a vital role in helping to ensure that directors provide, and users are confident of receiving information which is a fair representation of the company's financial affairs.

Consequence: If users of a company's financial statements base their decisions on unreliable information, they suffer serious financial loss. Therefore, they wish to be assured that the information is reliable and safe to act upon. In this condition, auditor's works add credibility to financial statements and users of them have peace of mind, when audited financial statements are giving the real picture of company.

Complexity: As the information communicated has become more complex, users of information have found it more difficult, or even impossible, to obtain direct assurance about the quality of the information received. As companies have grown in size, the volume of their transactions has increased. As a result of these changes, errors are more likely to creep into the accounting data and the resulting financial statements. Additionally, with the increasing complexity of transactions, accounting systems and financial statements, users of external financial statements are less able to evaluate the quality of the information for themselves. Therefore, there is a growing need for the financial statements to be examined by an independent qualified auditor, who has the necessary competence and expertise to understand the entity's business, its transactions and its accounting system.

Remoteness: Remoteness is caused by the separation of the user of the information and the information source. It prevents the user from directly assessing the quality of the information received. In other words, as a consequence of legal, physical and economic factors, users of a company's external financial statements are not able to verify for themselves the reliability of the information contained in the financial statements. Although for example, if they are major shareholders in company, they have de facto right of access to the company's books and records (as cited in Salehi, 2010, p. 74).

b) Policeman Theory

Under this theory, an auditor acts as a policeman focusing on arithmetical accuracy and on prevention and detection of fraud. However, due to its inability 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 ("Theoretical Issues," n.d.).

c) The lending Creditability Theory

According to Salehi (2010), this theory regards the primary function of auditing is to be the addition of credibility to the financial statements. Audited financial statements are used by management (agent) in order to enhance the principal's faith in the agent's stewardship and reduce the information asymmetry.

The lending credibility theory 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). The users are perceived to gain benefits from the increased credibility, these benefits are typically considered to be that the quality of investment decisions improve when they are based on reliable information (Ittonen, 2010).

d) Moderator of Claimants' Theory

Under this theory, it is important that all vital participants in an organization continue to contribute. In order to continue these contributions, it is important that each group believes it

receives a fair share of the company's income by giving an opinion on the various interests represented in the amounts shown therein (Salehi, 2010).

e) Quasi-Judicial Theory

In this theory, the auditor is regarded as a judge in the financial distribution process (Hayes et al., 1999:36). However, Porter concludes that (i) an auditor's decisions and decision process are not publicly available; (ii) the doctrine of precedence/consistency is not guaranteed in auditing; and (iii) an auditor's independence differs from a judge's independence because of the different reward system involved (as cited in Salehi, 2010, p. 73).

f) Theory of Inspired Confidence:

Limperg's theory addresses both the demand for and the supply of audit services. According to Limperg, the demand for audit services is the direct consequence of the participation of outside stakeholders in the company. These stakeholders demand accountability from the management, in return for their contribution to the company. Since information provided by management might be biased, a possible divergence between the interest of management and outside stakeholders, an audit of this information is required. With regard to the level of audit assurance that auditor should provide, (the supply side), Limperg adopts a normative approach. The auditor's job should be executed in such a way that the expectations of a rational outsider are not thwarted. So, given the possibilities of audit technology, the auditor should do everything to meet reasonable public expectations ("Theoretical Issues," n.d.).

2.2.1.3 Responsibilities of Internal Audit & Audit Committee

Consider an Annual Opinion on Internal Control

Internal audit should be the CEO and CFOs best source of assurance about internal control. If these officers must stand behind an entity-wide opinion, it only makes sense that they ask for the HIA opinion. HIA who want to form an entity-wide opinion might want to consult this study, which goes into more depth than we can here. The first step is to base the annual audit plan on the control model. This should not replace a risk based audit plan. The organizations major risks should always be the primary driver of internal audit activities. Rather, it should come after the

risk assessment, to ensure that audit coverage will support an opinion on control for the organization as a whole. The basic steps are:

1. Use the existing risk assessment process to identify the organizations major risks.
2. Identify audits and other assurance projects to address the risks.
3. Identify the Objectives and Components that will be covered in these audit projects, and to what extent each will be covered. Depending on the organization, this might be done informally, or by writing the names of projects, or by coding at a more detailed level.
4. Based on this analysis, estimate the extent of coverage for each cell (e.g., heavy, moderate, light, none)
5. Re-think potential assurance projects. Will the coverage support an opinion on internal control at the end of the year, with legitimate audit evidence for each category that falls within the organizations chosen scope? If not, how can the plan be modified to provide the needed coverage? In performing this analysis, several things should be kept in mind:

-The approach should not override the risk-based approach. Where there are gaps, the two approaches should be creatively reconciled. Perhaps the same audit projects, but with modified tools/techniques, would do the job. Perhaps a few lower-risk audits can be replaced. Or there may be other options.

-Audits performed in the recent past or planned for the near future can be taken into consideration. Everything does not have to be covered every year, as long as the overall assurance is reasonable.

-Some of the categories will be more important than others for a given organization and a given point in time. If the HIA chooses to give an opinion on all three Objectives, for example, this does not mean devoting 1/3 of audit time to Operations, 1/3 to Finance, and 1/3 to Compliance. It means giving enough coverage to each Objective and Component based on the real-world risks facing the organization to enable the year-end opinion on internal control. The audit plan, of course, changes throughout the year, as risks and audit resources change.

Consider Audits of Specific Financial Control Processes

The audit department might want to do annual audits of specific processes that are central to financial reporting and disclosure. What these processes are will vary from organization to organization. Examples are Inventory, Accounts Receivable, Accounts Payable, the Closing Process, Sales, Purchases, and Authorizations.

Consider the effectiveness of the company's internal control system, including information technology security and control.

Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.

Review with management and the chief audit executive the charter, plans, activities, staffing, and organizational structure of the internal audit function: Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the chief audit executive. Review the effectiveness of the internal audit function. On a regular basis, meet separately with the chief audit executive to discuss any matters that the committee or internal audit believes should be discussed privately.

As far as Audit Committees are concerned they generally exercise responsibility in three important areas: Financial reporting, corporate governance, and corporate control

Financial Reporting

The responsibility of audit committees in the area of financial reporting is to provide assurance that financial disclosures made by management reasonably portray the company's:

- 1) Financial condition; 2) results of operations; and 3) plans and long-term commitments.

The specific steps involved in carrying out this responsibility include: Recommending the independent accountants and Overseeing the external audit coverage, including: Auditor engagement letters, estimated fees, Timing of auditor visits, Coordination with internal auditing, monitoring of audit results, Review of auditor performance, Review of non-audit services, Reviewing accounting policies and policy decisions.

Examining the financial statement includes: interim financial statements, annual financial statements, auditors' opinion, and management letters, and other reports requiring approval by the board of directors prior to submission to the Securities and Exchange Commission or other government agencies.

With respect to the review of accounting policies and policy decisions, a useful approach would be to require from the chief accounting officer a concise summary of all significant accounting policies underlying the financial statements. This summary should be updated as necessary and reviewed by both the independent accountants and the internal auditor.

Corporate Governance

The responsibility of audit committees in the area of corporate governance is to provide assurance that the corporation is in reasonable compliance with pertinent laws and regulations, is conducting its affairs ethically, and is maintaining effective controls against employee conflict of interest and fraud. The specific steps involved in carrying out this responsibility include:

Reviewing corporate policies relating to compliance with laws and regulations, ethics, conflict of interest, and the investigation of misconduct and fraud, Reviewing current/pending litigation or regulatory proceedings bearing on corporate governance in which the corporation is a party, Reviewing significant cases of employee conflict of interest, misconduct, or fraud, Requiring the internal auditor to report in writing annually the scope of the reviews of corporate governance and any significant findings.

Corporate Control

The responsibility of audit committees for corporate control includes an understanding of the company's key financial reporting risk area and system of internal control. The committee should monitor the control process through internal auditing. "The scope of the internal audit should encompass the examination and evaluation of the adequacy and effectiveness of the organization's system of internal control and the quality of performance in carrying out assigned responsibilities." The internal auditing is required to: Review the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information, Review the systems established to ensure compliance with those policies,

plans, procedures, laws, and regulations which could have a significant impact on operations and reports, Review the means of safeguarding assets and, as appropriate, verify the existence of such assets, Appraise the economy and efficiency with which resources are employed, Review operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned (Siddiqui, n.d.).

2.2.1.4 Code of Ethics

According to (The Institute of Internal Auditors, 2012) there are two essential components to the code:

- *Principles* – that are relevant to the profession and practice of internal auditing; and
- *Rules of Conduct* – that describe behavioral norms expected of internal auditors. The rules are an aid to interpreting the principles into practical application.

Principles: (1) Integrity, the integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment. (2) Objectivity, Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments. (3) 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. (4) Competency, Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.

Rules of Conduct: (1) Integrity, Internal auditors: shall perform their work with honesty, diligence and responsibility; shall observe the law and make disclosures expected by the law and the Profession; shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organization; and shall respect and contribute to the legitimate and ethical objectives of the organization. (2) Objectivity

Internal auditors: shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organization; shall not accept anything that may impair or be presumed to impair there.

2.2.1.5 Features of Audit

When business organizations have grown from owner-operated entities to multi-national companies staged by thousands of employees, such growth has been made entity's management/directors for shareholders and other interested parties outside the entity, and of the evidence supporting the information contained in those financial statements possible by channeling financial resources from many thousands of small investors through financial markets and credit granting institutions to the growing companies. As companies have grown in size, their management has passed from shareholder-owners to small groups of professional managers. Thus company growth has been accompanied by the increasing separation of ownership interests and management functions ("Theoretical Issues," n.d.).

Those receiving these reports (external financial statements) need assurance that they are reliable. They wish to have the information in the reports 'checked out' or 'audited'. At present, the audit philosophy focuses on expressing a fairness opinion on the reliability of financial statements prepared on the basis of accounting records, which are also subject to verification. Therefore, one of the major objectives of the audit is a financial statement audit. It is an examination of an entity's financial statements, which have been prepared by the Audit work consists of two main elements, viz., analytical review and substantive testing. Analytical review is a structural, temporal and cross sectional comparative evaluation of the financial report to assess its overall soundness. Once the auditor has invested the effort to model the firm and its environment, analytical review becomes essentially an armchair exercise. Substantive testing is the direct verification of the resources and obligations of the firm in the field, and requires costly checking of physical plant, inventories, creditors and debtors of the firm. Although the auditors developed sophisticated statistical techniques to design efficient sampling methods to cut these costs during the third quarter of the Twentieth Century, substantive testing consumed the bulk of the auditing budgets. Under the pressure of competition, the auditors shifted their production function from expensive substantive testing towards inexpensive analytical reviews. Greater parts of the audit work are now being carried out without leaving the office, with less time, labor and costs. The fact is that the corporate managers and directors hire the auditors. But the real clients of the auditors, that is, the investors never see the auditors. Even if they see, they are not aware if the auditors have done their job diligently ("Theoretical Issues," n.d.).

2.2.1.6 Prospects for the Internal Auditing Profession

Contemporary organizations are increasingly information-dependent and knowledge-intensive, and engage in extremely specialized and sophisticated operations across industries and sectors globally. The development of new organizational forms in the information age, with the forging of strategic alliances and the emergence of virtual organizations, has dramatically altered the purpose and functioning of organizations as well as the attendant needs for exercising control. The controls landscape within organizations today is quite different from those existing in the industrial-era traditional organizations for most of the 20th century. In this radically changed business environment, the internal audit function has become a major support function for management, the audit committee, the board of directors, the external auditors, as well as key stakeholders. Properly conceived and implemented, the internal audit function can play a critical role in promoting and supporting effective organizational governance (Ramamoorti, 2003).

2.2.1.7 Factors affecting internal audit

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

Management's Perception of IA's Value: Perception is the process of attaining awareness or understanding of sensory information or it is the mental image or intuitive recognition of experience when aware of the elements of the environment (Woodard III, 2002). To function effectively, internal auditors and the customers of audit services should possess a similar understanding of what makes internal auditing a value added activity. The failure to reach this understanding could result in the perception that internal audit is simply an obstacle to achieving production objectives. This can result in underutilized audit services and ignored audit recommendations (Flesher and Zanzig, 2000) which adversely influence the effectiveness of IA (Arena and Azzone, 2009).

Organizational Independence: Independence has no single meaning and interpretation across the people; hence the concept is subject to ambiguity and uncertainty (Wines, 2012). However, for the purpose of the case study independent refers to the concept of being free from any management influence while internal auditors perform audit activities and issue audit report (Ahmad & Taylor, 2009; Belay, 2007; MoFED, 2004). Independence is fundamental to the reliability of auditor's reports. Those reports would not be credible, and investors and creditors would have little confidence in them, if auditors were not independent both in fact and appearance. The assurance services provided by auditors derive their value and credibility from the fundamental assumptions of independence of mind and independence in appearance (Wines, 2012; Stewart and Subramanian, 2010).

Adequate and competent Internal Audit Staff: Adequate staffing is essential for a system to its full capability. Weakness in staffing can lead to mismanagement, error and abuse, which can negate the effect of other controls (MoFED, 2004). The size of IA staff and the competency of internal audit are the critical characteristics of IA quality that can't be separated. This means at the absence of one dimension the other cannot contribute to the quality of internal auditors

The Approved Internal Audit Charter: Internal audit charter is defined by the IIA as "a formal written document that defines the activity's purpose, authority and responsibility. The charter should be (a) establish the internal audit activity's position within the organization; (b) authorize access to records, personnel and physical properties relevant to the performance of managements; and (c) defined the scope of internal audit activities" (IIA, 2001). Additionally, an internal audit charter typically includes the responsibilities of the IA in broad terms, the standards followed by the IA; and the relationship between the IA and the audit committee (as cited in Hailemariam, 2014, p. 14-19).

2.2.2 Financial Performance

The word 'Performance is derived from the word 'parfourmen', which means 'to do', 'to carry out' or 'to render'. It refers the act of performing; execution, accomplishment, fulfillment, etc. In border sense, performance refers to the accomplishment of a given task measured against preset standards of accuracy, completeness, cost, and speed. In other words, it refers to the degree to which an achievement is being or has been accomplished (Financial performance, n.d.).

Financial performance refers to the act of performing financial activity. In broader sense, financial performance refers to the degree to which financial objectives being or has been accomplished. It is the process of measuring the results of a firm's policies and operations in monetary terms. It is used to measure firm's overall financial health over a given period of time and can also be used to compare similar firms across the same industry or to compare industries or sectors in aggregation (Financial performance, n.d.).

2.2.2.1 Points of interest in financial performance

For a long time, financial performance has been perceived only through its ability to obtain profits. This changed over time, today the concept of performance having different meanings depending on the user perspective of financial information. A company can be categorized as global performance if it can satisfy the interests of all stakeholders: managers are interested in the welfare and to obtain profit, because their work is appreciated accordingly; owners want to maximize their wealth by increasing the company's market value (this objective can only be based on profit); current and potential shareholders perceive performance as the company's ability to distribute dividends for capital investment, given the risks they take; commercial partners look for the solvency and stability of the company; credit institutions want to be sure that the company has the necessary capacity to repay loans on time (solvency); employees want a stable job and to obtain high material benefits; the state seeks a company to be efficient, to pay its taxes, to help creating new jobs, etc (Valentin, n.d.).

2.2.2.2 Audit of Internal Control over Financial Reporting

An audit of internal control over financial reporting is a form of attestation service in which the auditor evaluates management's assertion that internal controls have been developed and implemented following well-established criteria. The auditor's evaluation increases user confidence about future financial reporting, because effective internal controls reduce the likelihood of future misstatements in the financial statements (Mohamed, 2014).

2.2.2.3 Auditing and Assurance Services

Concerning economic decisions, decision makers like investors, creditors, financial institutions, and analysts rely on financial accounting information. Financial information is useful if it helps users in their decision-making. Financial accounting information provides information on behalf of the user's economic decision-making. Financial reporting furthermore helps investors predict

future cash flows. Investors use disclosed and undisclosed information to produce estimates of future cash flows. At last, financial reporting provides information on the company's economic resources, obligations and the effect of economic transactions on the existence of resources and obligations. Because the management is responsible for the financial reporting, a risk exists that the information is inaccurate, the 'information risk'. Information asymmetry causes a need for an independent intermediary, the auditor, to verify and provide assurance of financial accounting reports, prepared by management. The role of the audit is to reinforce trust and confidence in financial reporting. Auditing can be qualified as a social control mechanism in securing the stewardship and the accountability of the agent. The demand for auditing in addition can be attributed to users' needs of reliable information and the consequences of users' erroneous decision when dealing with inaccurate information. To evaluate the quality of financial statements, a thorough understanding of accounting and reporting practices and business processes governance practices is required. Most financial statement users are not enough knowledgeable to fully understand financial reports, neither to detect errors. The auditor is hired to provide users an assessment of the quality of the information (Mohamed, 2014).

2.3 Internal Auditors in Airlines Industry

Although not unique to the airline industry, an internal audit group may be an integral factor to be considered by the auditor in his evaluation of internal control. Although internal auditors are not part of internal accounting control in the same manner as an individual who checks the mathematical accuracy of all invoices, they act as a separate, higher level of control to determine that the system is functioning effectively. The control aspects of the internal audit function are of special importance, particularly to airlines with numerous airport (station) locations and city ticket offices, because in many cases the airline's internal audit group may conduct audits of stations on a regular basis (AICPA, 1988).

The independent auditor should review the internal auditors' activities before establishing his audit plan. While smaller carriers with a limited number of station locations may not have an internal audit function, the cost/benefit relationship of an effective internal audit function should be considered. As part of his examination, the independent auditor should develop and maintain an awareness of the internal audit department's activities, since its work can have an important

bearing on the assessment of internal control and on the nature, timing, and extent of audit procedures (AICPA, 1988).

2.3.1 Electronic Data Processing

Because of the volume and complexity of transactions associated with airline operations, the auditor can expect to encounter the use of EDP equipment, ranging from smaller carriers' limited use through service bureaus to extensive use of sophisticated EDP applications with a variety of equipment types. Airlines may use batch processing systems, on-line systems, or minicomputers.

The types of applications that the auditor may encounter in the airline industry include: On-line information systems that may allow third-party access to the system, Sales audit applications; including matching of passenger tickets lifted with tickets sold, testing of fare computations and any applicable commissions, and segregating and billing of interline transactions, Inventory systems to control and segregate ratable and expend-able parts, Revenue applications utilizing sophisticated statistical sampling techniques to determine earned revenue, Payroll applications to effectively control and prepare complex flight payrolls.

The objectives and characteristics of internal accounting control do not change with the method by which data are processed, and the objectives of the auditor's review of internal accounting control are the same whether or not EDP is used. Attention is directed to the AICPA audit and accounting guide entitled (AICPA, 1988).

2.4 Empirical Review

It's obvious that there are prior studies conducted in different countries which are related to the topic/problem of this study. In order to show the research gap and justify the importance of this study the following section presents review of the empirical evidence that have examined Internal Audit and Financial Performance of Airlines.

A study made by Boru (2014) examined profitability Analysis of Ethiopian Airlines from 2009 to 2012 with a study question of “Why net profit of Ethiopian airlines kept declining despite an increase of revenue?” The study focused on targeting to accomplish three main objectives.

Mohamed (2014) had conducted a research on the internal audit in private domestic airlines comparative insights of internal audit in airline industry. This Research was primarily concerned with exploring IAS in domestic airline companies the case of AAS and NA in Tanzania. The

motive was to provide comparative empirical support for policy formulation, implementation and rectification with regard to the effectiveness and challenges of IAS whilst contributing to the limited body of knowledge on auditing in airline business in Tanzania perspective and Africa in general.

Ondieki (2013) tried to establish the effect of internal audit on financial performance of commercial banks in Kenya and concludes that internal audit standards, independence of internal audit, professional competency and internal control had a positive relationship with financial performance of commercial banks.

Salih (1983) evaluated the internal controls of Ethiopian Airlines in Nairobi branch and concluded that the lack of segregation of accounting and custodian functions was the greatest weakness of the branch office. He argued that there is need to centralize cash receipts, establish an audit unit, separate accounting unit from sales section, separate duties of purchase activities and establish a perpetual inventory system for the tickets.

Asamu (2019) examined the impacts of internal control on financial performance in Nigeria airline industry. Airline was chosen due to the important role they play in increasing the level of fiscal activity. The aim and target of his research is to resolve whether internal control and its machineries has effect on the financial performance of Nigerian Airline Industry in checking fraud and fraudulent activities in the industry. The results of the empirical findings showed that internal control and its machineries have significant impacts on financial performance in airline industry.

Alahyari (2014) tries to establish a comparison of the Turkish airlines with their profitability. The main aim of this study is to investigate the determinants of profitability for the Turkish airlines. Accordingly, a sample of major airlines is chosen and their data is extracted from Data Stream covering 1994 to 2013. Findings show that tangibility of assets, growth opportunities and liquidity ratios have significant impacts on the profitability of the firms.

Oscar (2019) tried to asses' internal audit practice and financial performance of banks in Tanzania, where the case study was CRDB bank. From the finding there is a very high extent that there is a positive relationship between internal audit quality and financial performance.

2.4.1 Knowledge gap of the studies

Boru (2014) and Alahyari (2014) studies were focused on the comparative Financial performance analysis of different Airlines. Because of their studies limited only on the financial performance of the Airlines they cannot give an idea about the impact of Internal Audit over the financial performance. Mohamed (2014) and Salih (1983) and Asamu (2019) evaluated the internal controls over private Airlines in Tanzania, Nigeria airline industry and Ethiopian Airlines Nairobi Branch respectively. Both were focused on evaluating the Internal Audit and Control over the Airlines which also cannot show the impact or the relationship of Internal Audit over the financial performance. Oscar (2019) tried to assess' internal audit practice and financial performance of banks in Tanzania, where the case study was CRDB bank. On the other hand, Ondieki (2013) examined the impacts of Internal Audit on financial performance of Commercial bank. However, the researcher made his research on the impact of Internal Audit on financial performance there is a limitation to address different Industries.

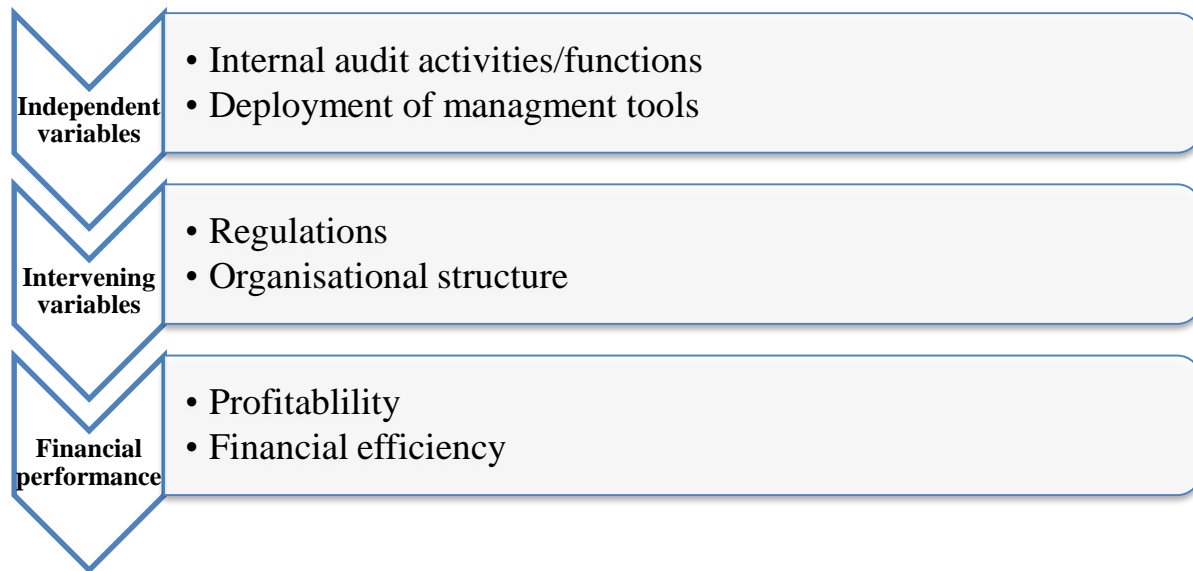
Considering the above gaps and believing the importance of the topic to be studied and to achieve the reliable findings and the absence of research regarding the title of the study especially impact of Internal Audit on the financial performance of Ethiopian Airlines.

The majority of research was focused on studying only either of Internal Audit or Financial performance of the airlines and as to the best of the researcher knowledge this research will be different from all the above mentioned as it will specifically look at internal audit as a factor affecting financial performance of Ethiopian Airlines.

Most importantly IA strength matters in meeting of its intended objectives, and measures whether it is doing what it is supposed to do. If the system is functioning independently with full force and management is using it as an essential element, matters a lot hence, the study moreover focuses on evaluating the system in terms of plausibility of the structure, capacity of manpower, availability of inputs and support from the management.

2.5 Conceptual Framework

The conceptual framework describes the independent and dependent variables. The independent variables include internal audit activities and deployment of management tools. The dependent variables in this study is financial performance which can be measured in profitability and financial efficiency, where by the case study was focused on Ethiopian Airlines.



2.6 Conclusion

The literature review was purposely conducted to cover up and gain adequate and valuable insights on all issues concerning to the research topic and pertaining objectives for addressing the research problem. From the review of literature, the researcher managed to identify gaps to avoid duplication of work, gain clarity and better understanding of the topic, helped in delimiting the research problem and proved to be useful in developing a basis for analyzing and interpreting the data.

Chapter Three: Research Methodology

3.1 Introduction

Research methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically. In it we study the various steps that are generally adopted by a researcher in studying his research problem along with the logic behind them (Kothari 1990).

This chapter presents the methodology that the study adopted. It includes, research design, sampling strategy, data collection instruments, procedure for data collection, and data management and analysis. The Research method includes the collection of data both from primary and secondary sources. The secondary sources were basically includes the review of examination of selected internal audit annual plan and quarterly audit reports, different related policy, regulations, procedure, manuals and directions, literature from textbooks, other reference materials/documents, and internet and lecture literatures. Interviews and questionnaires were used in primary data collection. The data so collected has been analyzed using graphs, tables and percentages and based on the outcome of the analysis.

3.2 Research Approach

There are three basic approaches to a research qualitative, quantitative and mixed. According to MacDonald & Headlam, (1986), Qualitative research concerned with a quality of information, qualitative methods attempt to gain an understanding of the underlying reasons and motivations for actions and establish how people interpret their experiences and the world around them. Qualitative methods provide insights into the setting of a problem, generating ideas and/or hypotheses. Quantitative research as the name suggests is concerned with trying to quantify things; it asks questions such as 'how long' or 'how many'. Quantitative methods look to quantify data and generalize results from a sample of the population of interest. In this thesis a quantitative research method has been implemented.

3.3 Research Design

A research design is a procedural plan that is adopted by the researcher to answer questions validly, objectively, accurately and economically. A research design has two main functions. The first relates to the identification and/or development of procedures and logistical arrangements

required to undertake a study, and the second emphasizes the importance of quality in these procedures to ensure their validity, objectivity and accuracy (Kumar, 2011).

The study was conducted to assess the impact of internal audit on the financial performance of companies' case on Ethiopian Airlines. The research design employed was explanatory research design. The study also used both descriptive and inferential analysis method. This study focused on EAL, because it is typical in the sense that it is practically difficult to include the internal audit impact on the financial performance of another airline for there is no private airline in the same status as Ethiopian Airlines and selecting a foreign airline is not feasible at this stage.

3.4 Population and Sample Size

The sample size was calculated using Yamane Tarro's a simplified sample size formula.

The target population of the research was employees of the airline under the division of Group Internal Audit and Group Finance in head office which was a total of 560 (58 + 502 respectively) and with the precision level of 5%, using the table by (Yamane, 1967) the sample size for the research has been 233 employees.

$$n = \frac{N}{1 + N(e)^2}$$

Where:

n – Corrected sample size

N - Number of target population

e – Precision level

3.4.1 Sampling Techniques

The sampling techniques applied were purposive and simple random sampling strategies. Specifically, purposive sampling was used in selecting the key informant from Top Management positions. According to Kumar, (2011) the primary consideration in this sampling design is your judgment as to who can provide the best information to achieve the objectives of your study. You as a researcher only go to those people who in your opinion are likely to have the required information and are willing to share it with you. Thus, the justification for purposively selecting the Top Management category is because they occupy top leadership positions at EAL and are

central in designing policies that affect the organization hence considered useful in providing vital information pertaining to the objectives of the study.

On the other hand, the selection of auditors and other staffs will be using A Probability sampling of simple random sample; because, it will give equal chance to all participant to be selected or not, furthermore, the selection of any unit does not affect the selection of others. A random selection will be done from the employee's list within the department of the airline in the head quarter.

3.5 Data Collection Methods

Data collection refers to gathering specific information to serve or prove some facts. In data collection, the researcher must have a clear vision of the instruments to be used, the respondents and the selected area. A variety of data collection methods were used in this study as described in the parts that follow

3.5.1 Sources of Data

In dealing with any real life problem it is often found that data at hand are inadequate, and hence, it becomes necessary to collect data that are appropriate. There are several ways of collecting the appropriate data which differ considerably in context of money costs, time and other resources at the disposal of the researcher (Kothari, 1990).

3.5.2 Primary Data

A primary source is a document, speech, or other sort of evidence written, created or otherwise produced during the time under study (MacDonald &Headlam, 1986). In this study, the following methods of collecting primary data were used sufficiently to collect the required data.

3.5.2.1 Questionnaires

A questionnaire is a written list of questions, the answers to which are recorded by respondents.

In a questionnaire respondents read the questions, interpret what is expected and then write down the answers (Kumar, 2011).

To avoid ambiguities in the source of primary data using questionnaire, the closed-ended and open-ended questions were distributed to allow respondent provide intended information. These was administered via the company Email and telephone due to the newly outbreak Pandemic disease as the situations where, meeting the respondents face to face will not be possible but the

only way is through these means. The researcher also exercises care and control to ensure all questionnaires issued to the respondents has been received and to achieve this, the researcher has maintained a register of questionnaires using a Google form which were sent and which were received.

3.5.2.2 Interviewing

Interviewing is a commonly used method of collecting information from different people. The researcher has collected information using semi-structured interviews with higher managements of EAL through applying the prevention mechanisms for COVID-19.

3.5.3 Collection of Secondary Data

This method refers to the review of existing information, and in the quantitative context may involve the manipulation of statistical data (MacDonald&Headlam, 1986).

The collection of documentary secondary data involves reviewing past internal and external audit reports, administrative and public reports/publications/records on auditing, Quality assurance documents for the past 5 years, operational effectiveness report, risk assessment and evaluation report, internal audit plan, Progress report, reconciliation statements for the past five years, books, technical and trade journals, periodicals, television programs, newspapers' articles and internet search. These documentary secondary data can be used to triangulate findings based on primary data which were collected through questionnaires and Interviews.

3.6 Data recording and analysis

Both quantitative and qualitative data will be edited and coded. Editing involves cleaning the questionnaire with a view to establish whether all the items have been answered correctly. Those responses with mistakes were corrected and those unanswered items were also discarded. Coding involves assigning numerical values to similar items after which STATA have been applied to generate frequencies and percentages.

The following conceptual model was adopted in the study where profession is a function of internal audit activities/functions and deployment of management tools.

$$PERF_{it} = f(\text{IAA and DMT}) \dots\dots\dots (1)$$

Where

PERF = Financial Performance of ET

IAA = Internal Audit Activities

DMT = Deployment of Management Tools

The following regression mode was used to perform data analysis

$$FP = \beta_0 + \beta_1 IAA + \beta_2 DMT + e \dots\dots\dots (2)$$

Where

FP – is financial performance of Ethiopian Airlines,

β_0 – is the regression coefficient/ constant term,

β_1 - β_2 are coefficient of independent factor.

e– Error terms

3.6.1 Quantitative Data

Quantitative data were entered, cleaned and analyzed using the statistical software (STATA/SE) version 14.2. The analysis involves presentation of findings descriptively in the form of frequency Tables with varying percentages. Effort was also be made to explain the data presented after every Table for comprehension. Quantitative data enabled the researcher to show particular effects using frequencies and percentages.

3.7 Ethical Implications

In this study, ethical issues were of concern during the study preparation, when seeking access to organizations and to individuals, when collecting data, during data analysis and report writing. Privacy and confidentiality of both data and respondents were highly considered and respected, no names of any individual will be disclosed in this report and respondents need to be in a full consent to participate in the study. Anonymity of respondents was also be ensured in filling up the questionnaires. Findings were reported accurately and honestly to avoid abuse of public confidence in opinion and research.

3.8 Reliability and Validity of data

To test the reliability and validity of the questioner one of the common methods to test the reliability and validity of data collected through questionnaire is use of Cronbac’s alpha coefficient. Reliability as an attribute of an instrument used to measure consistency. Consistency indicates that an instrument has constructive value it used to measure. The higher the alpha

coefficient, the more the items are shared covariance and probably measure the same underlying concept. A commonly accepted rule of thumb for describing internal consistency using Cronbac’s alpha presents is as follows.

Table 1: Lee Cronbach’s Reliability Estimation Table

Cronbac’s alpha	Internal consistency
$\alpha \geq 0.9$	Excellent
$0.8 \leq \alpha < 0.9$	Very Good
$0.7 \leq \alpha < 0.8$	Acceptable
$0.6 \leq \alpha < 0.7$	Questionable
$0.5 \leq \alpha < 0.6$	Poor
$\alpha < 0.5$	Unacceptable

Table 2: Reliability Statistics

Reliability Statistics		
Variables	Cronbach Alpha	Cronbach Alpha based on standardized item
Internal audit activities	0.8824	0.8827
Deployment of internal audit management tools	0.9000	0.9007
Financial performance	0.8768	0.8787

As indicated in table 1 above, the value of Cronbach's alpha for each variable was greater than 0.85 which is very acceptable. Therefore, the responses generated from all variables in this study were reliable enough for the data. The Cronbach's alpha for data collected under the three variables is 0.885(approximated to 0.9). This indicates that the survey instrument used is highly valid and the data are highly consistent because the Cronbac’s alpha is ranged in an excellent measure of internal consistency.

Chapter Four: Research Findings and Interpretation

4.1 Introduction

The analysis of data requires a number of closely related operations such as establishment of categories, the application of these categories to raw data through coding, tabulation and then drawing statistical inferences (Kothari, 1990). This chapter presents the research findings coming out of the detailed analysis of the collected data. It covers the analysis of collected data from the respondents of the questionnaires, interviews, content analysis as well as those found from the review of documentary sources. Statistical software package (STATA/SE) version 14.2 which is specialized statistics program that can provide sufficient tools for analyzing the collected data.

In descriptive statistics, frequency counts and percentage mean and standard deviation will be used to analyze various characteristics of the same population. This statistical tool helps to determine the relative standing characteristics such as age, academic and professional qualification and work experience. These tools will also be used to analyze variables related to the topic under study for each variable and the findings are presented in tabular summaries, and their implications discussed. The essence of this chapter is to answer the research questions which are identified in Chapter one, and ends with a summary.

4.2 Composition of Respondents and Preliminary Findings

Due to the unprecedented occurrence of COVID-19 it was hard to distribute and collect the questionnaires in person, to overcome this problem the researcher applied Google forms to distribute and gather all the responses via company email address. The study targeted a sample size of 233 respondents from which 215 (92.27) filled in and returned, which is capable of being used to make conclusions for the study and makes the research highly reliable and valid. So the analysis was based on this 215 respondents' response. The researcher had also interviewed top officials of Ethiopian Airlines from the Group internal audit and finance department. The prior and actual visit to the two departments made the researcher to understand the number of sections present in each department.

4.3 Profile of Respondents

It is essential to analyze the demographic profile of the respondents to validate reliability of data collected. Accordingly, the respondent's variables presented in this research include age,

academic and professional qualification and experience of the employees these are shown in the tables and discussed in the following sections.

Table 3: Age of the respondent

Age					
		Frequency	Percent	Valid Percent	Cumulative %
Valid	Below 27	110	47.2	51.2	51.2
	28.37	79	33.9	36.7	87.9
	38-47	16	6.9	7.4	95.3
	48-57	9	3.9	4.2	99.5
	58 years and above	1	0.4	0.5	100
	Total	215	92.2	100	
Missing	System	18	7.7		
Total		233	100		

Source: Survey result

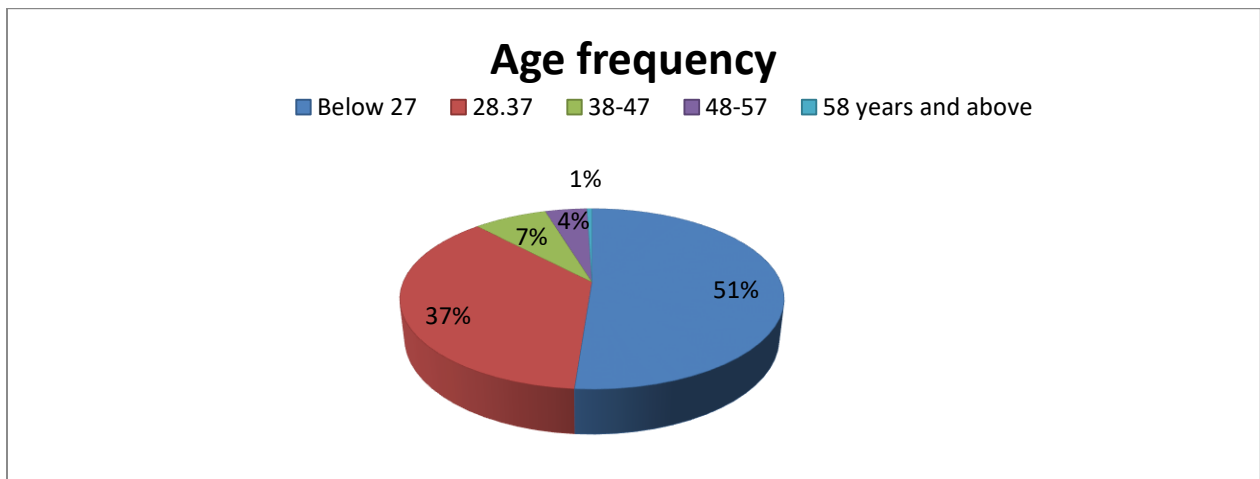


Chart 1: age frequency

As indicated in the above table or chart with respect to the age of the employees, 51% of the respondents were aged below 27, 37% of the respondents were between 28 and 37 years of age, 7 % were aged 38 to 47 years, 4% aged 48 to 57 and 1% aged above 58.

Table 4: Duration in Employment

Duration

Valid	Duration	Frequency	Percent	Valid Percent	Cumulative %
	Less than 3 years	69	29.7	32	32
	3–5 years	97	41.6	45	77
	6–9 years	41	17.6	19	96
	10 years and above	8	3.4	4	100
	Total	215	92.2	100	
Missing	System	18	7.7		
Total		233	100.0		

Source: Survey result

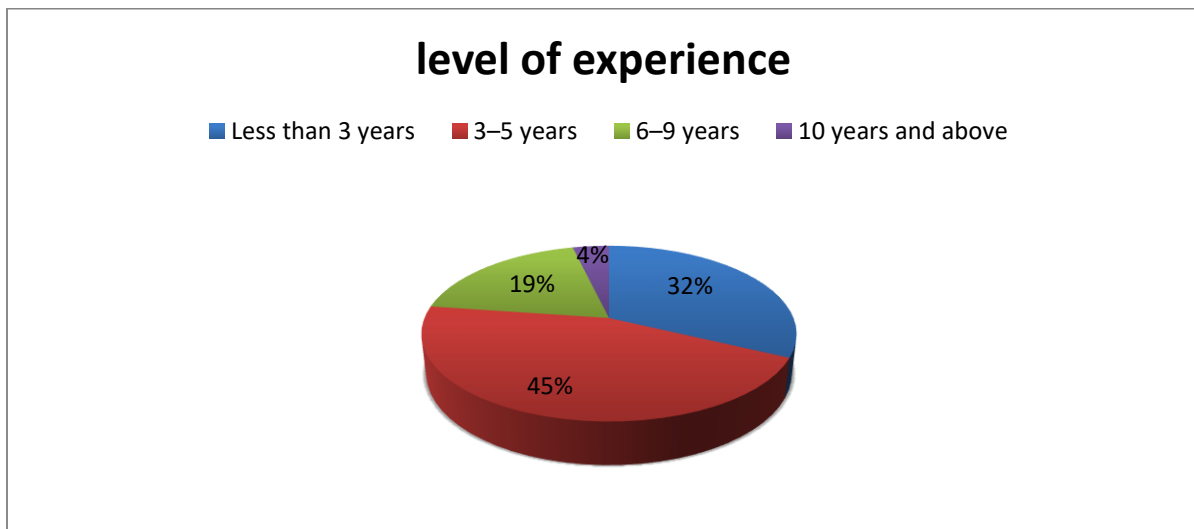


Chart 2: level of experience

Duration in employment was used in order to cater for those who have served the companies in different durations with different experiences. The longer the time one has served for his/her company the more experience of dealing with the study problem he/she has. The findings are reflected in the table below.

As reflected in the findings of the study in the figure above less than 3 year had 69(32%), 3-5 years 97 (45%), 6-9 years 41 (19%) and 10 + years had 8 (4%). The study tried to maintain the issue of duration as it would help to come up with a concrete conclusion basing on the time the employees have served their company. The findings showed that many of Ethiopian Airlines employees had stayed at their duty less than 5 year and below and this was attributed to the nature of the company as a fast growing and very young Airlines.

Table 5: Academic qualification of respondents

Academic qualification					
		Frequency	Percent	Valid Percent	Cumulative %
Valid	Ordinary Diploma	34	14.6	15.8	15.8
	Bachelor Degree/Advanced Diploma	159	68.2	74	89.8
	Master Degree/Post Graduate Diploma	22	9.5	10.2	100
	PhD	-	-	-	
	Total	215	92.2	100	
Missing	System	18	7.7		
Total		233	100		

Source: survey result

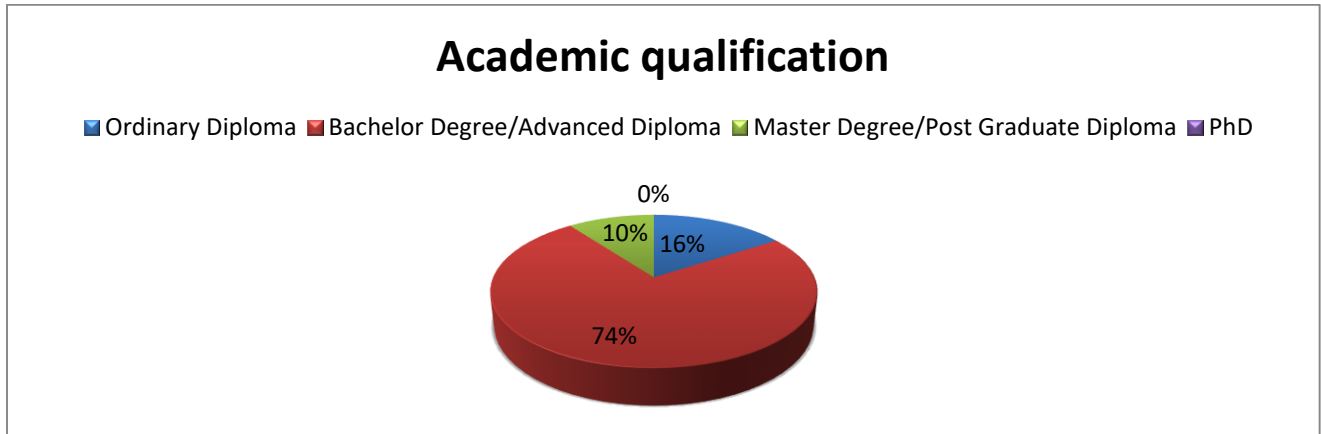


Chart 3: Academic qualification

Another assurance of employees to competence that contributes to effectiveness of internal audit and high financial performance of the company is the level of education that the employees possess. This competence is referred to as academic capability. Internal audit system reveals that a good education level has a positive impact on effectiveness of internal audit which intern make the financial performance enhanced. As summarized in the above table, the respondents (84.2%) were qualified in degree and above which is favorable. Only 15.8% respondents were qualified

in Ordinary Diploma. This is an indication that the respondents are also at adequate education level to understand the concept of internal audit and its impact on financial performance.

Table 6: Respondents Job Position

Job Position		Frequency	Percent	Valid Percent	Cumulative %
Valid	Jr. Accountant	9	3.9	4.2	4.2
	Accountant	21	9	9.8	14
	Sr. Accountant I	65	27.9	30.2	44.2
	Sr. Accountant II	54	23.2	25	69.2
	Accounting Specialist	15	6.5	7	76.2
	Financial analyst	14	6	6.5	82.7
	Internal Auditor	10	4.3	4.7	87.4
	Sr. Internal Auditor	22	9.4	10.3	97.7
	Sr. IT Auditor	5	2.1	2.3	100
	Total	215	92.2	100	
Missing	System	18	7.7		
Total		233			

Source: survey result

As indicated in the above table with respect to the job position, 4.2 % of the respondents were Junior Accountant, 9.8% of the respondents were Accountant, 30.2% of the respondents were Sr. Accountant one, 25% of the respondents were Sr. Accountant two, 7% Accounting Specialist, 6.5% Financial analyst, 4.7% Internal Auditor, 10.3% Sr. Internal Auditor, and 2.3% of the respondents were Sr. IT Auditor. This indicates that more than 86% of the respondents were the senior auditor, accountant and analysts of the organization to better understanding of the internal audit and financial performance of the company.

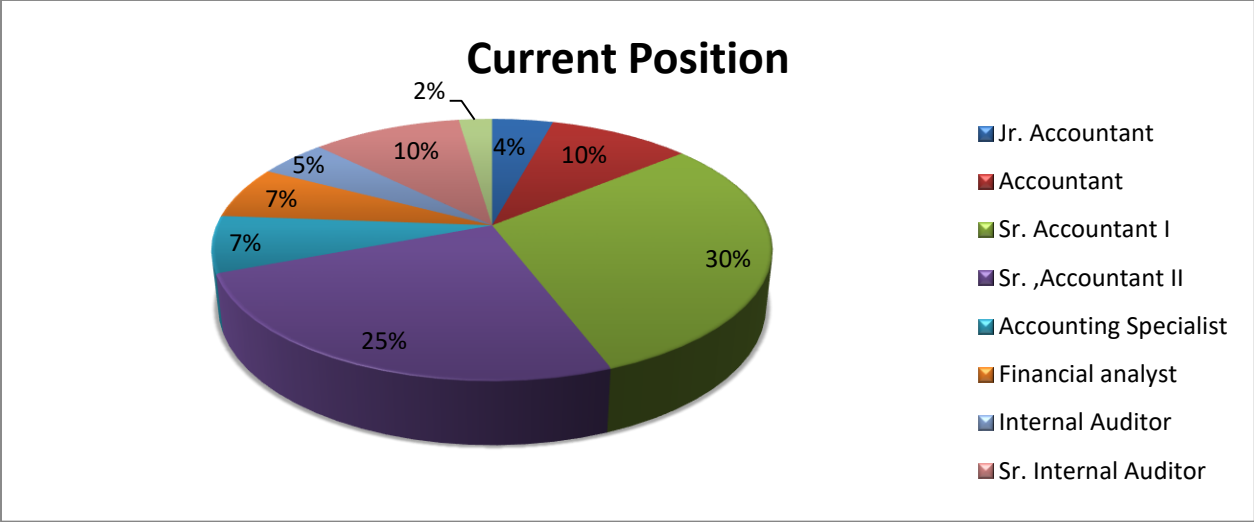


Chart 4: Job Position

Table 7: Professional qualification and Training in Audit

Professional qualification				
		Frequency	Valid Percent	Cumulative %
Valid	CIMA	4	1.8	1.8
	ACCA	1	0.5	2.3
	None	210	97.7	100
	Total	215	100	
Training in Audit				
		Frequency	Valid Percent	Cumulative %
	One Month	2	0.9	0.9
	Two Months	5	2.4	3.3
	Four Months	10	4.6	7.9
	Six Months	4	1.8	9.7
	Twelve Months	1	0.5	10.2
	None	193	89.8	100
	Total	215	100	

Source: survey result

As indicated in the above table with respect to the professional qualification and training in audit, the number of respondents who had a professional qualification were only 5 (2.3%) from which 1.8% and 0.5% of the respondents were qualified in CIMA and ACCA respectively. Regarding the training in audit 0.9% respondents were attended one-month training in audit, 2.4% for two

months, 4.6% four months, 1.8% six months and 0.5% of the respondent had also attended for twelve months.

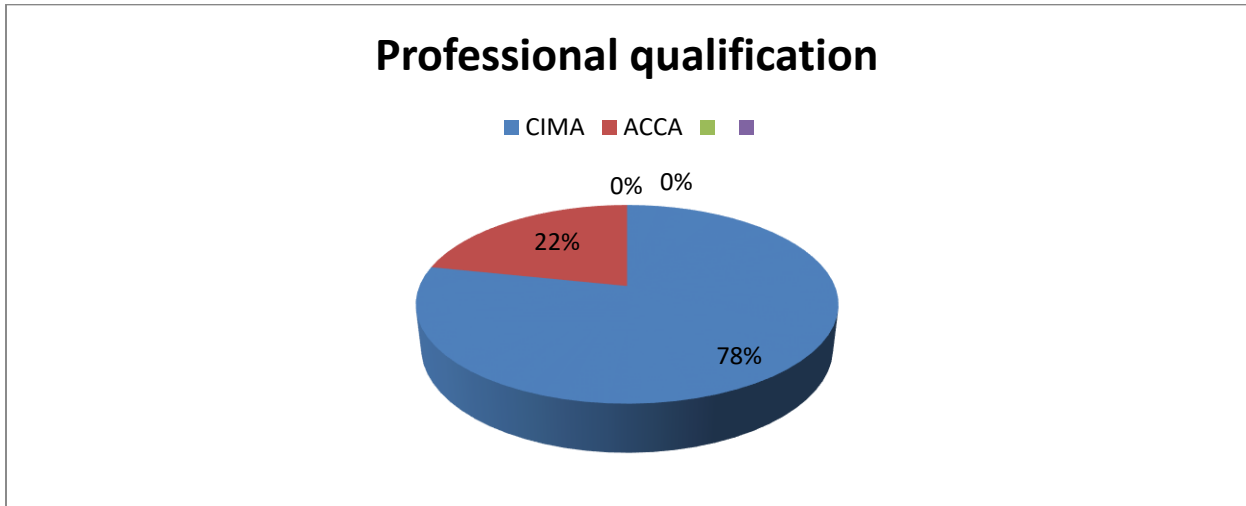


Chart 5: Professional qualification

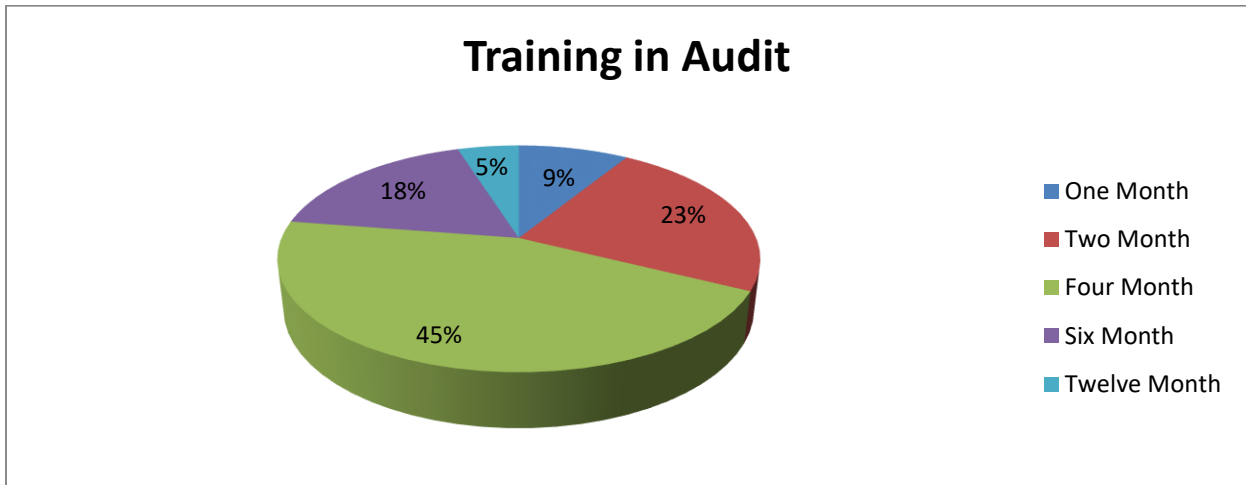


Chart 6: Training in Audit

4.4 Analysis of Study Findings

The analysis of the findings as represented in the sections that follow is based on the set research objectives and research questions. The study did use secondary and primary sources for the analysis purpose, five point Likert scale was used to measure the responses from the questionnaire with 1 = Strongly disagree, 2 = Disagree, 3 = Neither agree nor disagree, 4 = Agree and 5 = Strongly agree.

According to Warmbrod (2014), the content of single items (statements) on a Likert scale collectively defines, describe, and name the meaning of the construct quantified by the summated score. These summary statistics for each item on the scale indicate the content of the construct and the direction and intensity of each item's contribution to the summated total score or summated subscale score. Two basic concepts provide the rationale for reporting and interpreting summated scores derived from Likert-type scales to quantify psychological, sociological, and educational constructs. First is the proposition that the construct being measured is not defined by a single statement. A Likert scale is by definition a multiple-item scale. The second defining characteristic logically follows: scores derived from a Likert scale are summated scores determined by a composite of responses to multiple items rather than responses to single items.

Mean is an arithmetic average of the scores, calculated by adding all the scores and dividing by the total number of scores. Range is the difference between the highest and lowest scores in a distribution, calculated by taking the lowest score from the highest. Standard deviation is considered the most useful index of variability. It is a single number that tells us the variability, or spread, of a distribution (group of scores).

4.4.1: STRUCTURE OF COMPANY'S OVERALL INTERNAL AUDIT SYSTEM

Specific objectives one of the study evaluated was the structure of company's overall Internal Audit system. Internal Audit strength matters in meeting of its intended objectives, and measures whether it is doing what it is supposed to do. If the system is functioning independently with full force and management is using it as an essential element, matters a lot hence, the study moreover focused on evaluating the system in terms of plausibility of the structure, capacity of manpower, availability of inputs and support from the management.

The study sought to determine the level at which respondents agreed with the statements that relating to structure of company's overall internal audit system in Ethiopian Airlines Group, with three general and twelve sub research question parts which are **A; Positioning** (Mandate and strategy, Organization and structure, Stakeholders and Funding)**B; People**(Leadership Competencies, Staffing strategy, Culture and Reward and appraisal **C; Process**(Risk assessment and planning, Execution and Reporting).

Table 8: Descriptive Statistics of questionnaires response related to structure of company's overall internal audit system

A. Positioning

Descriptive Statistics					
Questionnaires response related to structure of company's overall internal audit system.	N	Min	Max	Mean	St. Deviation
Mandate and strategy					
Internal audit has a comprehensive strategic plan, developed in collaboration with the audit committee, executive management and principal stakeholders: and aligned with the organization's own strategy.	215	1	5	3.41	1.19
Internal audit is recognized by the company as a function providing quality challenge.	215	1	5	3.5	1.2
Organization and structure					
Internal audit is independent from the business and has clear and unfettered reporting into the audit committee and direct access to the chairman of the board.	215	1	5	3.7	1.23
Internal audit is structured so as to enable both the maintenance of independence and objectivity on the other hand, and proximity to the business.	215	1	5	3.33	1.23
Stakeholders					
Through its activities, internal audit is able to articulate to senior management the risk of their action in a structured and balanced manner, and provide credible recommendations to mitigate the	215	1	5	2.63	1.3

risk.					
Internal audit has strong relationship with key external stakeholders (in particular, external auditors and any relevant regulators).	215	1	5	3.47	1.2
Funding					
Internal Audit has no unreasonable budgetary constraints which limit its ability to deliver on its mandate, given the risk appetite of the organization.	215	1	5	3.6	1.2
Internal audit manages its resources effectively to maximize the value of its service to the business.	215	2	5	3.56	1.09

B. People

Leadership					
Internal audit has the standing, credibility and impact to present its views in audit (and risk) committee, and influence the organization.	215	1	5	3.38	1.04
Internal audit includes sufficient individuals who are senior and experienced enough, with sufficient business understanding, to apply judgment and challenge the business on a broad array of topics.	215	2	5	3.1	1.04
Competencies					
Internal audit comprises a diverse talent pool with a broad mix of skill and experience gained within internal audit and in business.	215	1	5	3.74	1.16
There is an appropriate mechanism for identifying the skill and competencies required to deliver its annual plan, identifying and relieving gaps and	215	1	5	3.08	0.9

being responsive to the changing risk profile of the organization.					
Internal audit Staffing strategy					
Internal audit is forward thinking in its medium to long term staffing strategy.	215	2	5	3.35	0.99
Internal audit is able to attract the right by providing a value adding career development opportunity to the organizations top talent.	215	1	5	3.3	1.1
Culture					
Internal audit is characterized by a culture of challenge, probing, and continuous improvement	215	1	5	3.73	1.25
Internal audit acts as a high model and adheres to high ethical standards and values	215	1	5	3.66	1.27
Reward and appraisal					
Internal audit has competitive remuneration polices based on the achievement of defined performance metrics.	215	2	5	3.5	1.04

C.Process

Risk assessment and planning					
Internal audit has a risk based audit plan based on a risk assessment accepted and approved by the board	215	1	5	3.5	1.24
Internal audit is forward looking when determining the audit plan and is quick enough to adapt its planned activities, sometimes rapidly, in the case of new and emerging risks.	215	1	5	3.67	1.23

Execution					
Internal audit conducts end-to-end/corporate wide audit activities which enable it to obtain a holistic view.	215	1	5	3.6	1.2
Internal audit harnesses technology throughout its audit and administrative process to maximize efficiencies and improve audit effectiveness.	215	1	5	3.75	1.2
Reporting					
Internal audit produces reports for individual audits with a clear rating scale which identify both root causes and consequences of issues and which are delivered on a timely basis with clarity and impact, and include credible recommendations to management	215	1	5	3.7	1.2
Internal audit has rapid and effective mechanisms in place for the escalation of issues requiring senior management attention.	215	1	5	3.6	1.26
Valid N	215				

Source: survey result

As shown from the table above, regarding with Positioning from the findings the study established that majority of the respondents were strongly agreed that complying with internal audit has a comprehensive strategic plan, developed in collaboration with the audit committee, executive management and principal stakeholders: and aligned with the organization's own strategy that is recognized by the company as function providing quality challenge, it has also a sound understanding of business strategy and the associated risks, and be able and willing to challenge the control environment and infrastructure supporting the strategy and be able to read across from one part of the organization to another as shown by mean of 3.86.

The mean 3.7 and 3.33 shows that the majority of the respondents were agreed with the statement that the internal audit is independent from the business and has clear and unfettered reporting into the audit committee and direct access to the chairman of the board, it is also

structured so as to enable both the maintenance of independence and objectivity on the other hand, and proximity to the business. Internal audit regularly attends executive meetings to present the audit findings, trends and current views (of the control environment), has also strong relationship with key external stakeholders (in particular, external auditors and any relevant regulators) per the study finding from the study, majority of the respondents were disagreed with that through its activities, internal audit is able to articulate to senior management the risk of their action in a structured and balanced manner, and provide credible recommendations to mitigate the risk with a mean value of 2.63.

The mean value 3.6 and 3.56 shows that internal audit has the standing, credibility and impact to present its views in audit (and risk) committee, and influence the organization, it also includes sufficient individuals who are senior and experienced enough, with sufficient business understanding, to apply judgment and challenge the business on a broad array of topics.

Regarding with the competencies majority of respondents were agreed with that the internal audit comprises a diverse talent pool with a broad mix of skill and experience gained within internal audit and in business and neutral with the statement that there is an appropriate mechanism for identifying the skill and competencies required to deliver its annual plan, identifying and relieving gaps and being responsive to the changing risk profile of the organization. Internal audit is forward thinking in its medium to long term staffing strategy, is also able to attract the right by providing a value adding career development opportunity to the organizations top talent with the mean value of 3.35 and 3.3 respectively from the finding.

The other sub part that the respondents asked was the culture that the internal audit is considered with, majority of respondents were strongly agreed with the statement internal audit is characterized by a culture of challenge, probing, and continuous improvement and acts as a high model and adheres to high ethical standards and values. Regarding with reward and appraisal internal audit has competitive remuneration polices based on the achievement of defined performance metrics with 3.5 mean value in which majority of respondents were neutral.

With related to risk assessment and planning the study result indicates that majority of respondents were agreed with internal audit has a risk based audit plan based on a risk assessment accepted and approved by the board, it is also forward looking when determining the

audit plan and is quick enough to adapt its planned activities, sometimes rapidly, in the case of new and emerging risks. The majority of the respondent's answer indicated that internal audit conducts end-to-end/corporate wide audit activities which enable it to obtain a holistic view by harnessing of technology throughout its audit and administrative process to maximize efficiencies and improve audit effectiveness. Related to Reporting, the study result specifies internal audit produces reports for individual audits with a clear rating scale which identify both root causes and consequences of issues and which are delivered on a timely basis with clarity and impact, also include credible recommendations to management, furthermore it has rapid and effective mechanisms in place for the escalation of issues requiring senior management attention.

The study tried to establish if the internal audit has added a value to the organization with an open ended question and the majority of respondents were believed that it has a value to the company with many reasons of why, some them are; with the assessment of risks, to maintain accurate and timely Financial data which are crucial for management decision and to solve in-house problems, some respondents were also believed that it is not as expected or satisfactory.

Organization Structure of Group Internal Audit, QMS, SMS, Compliance and Business Sustainability division

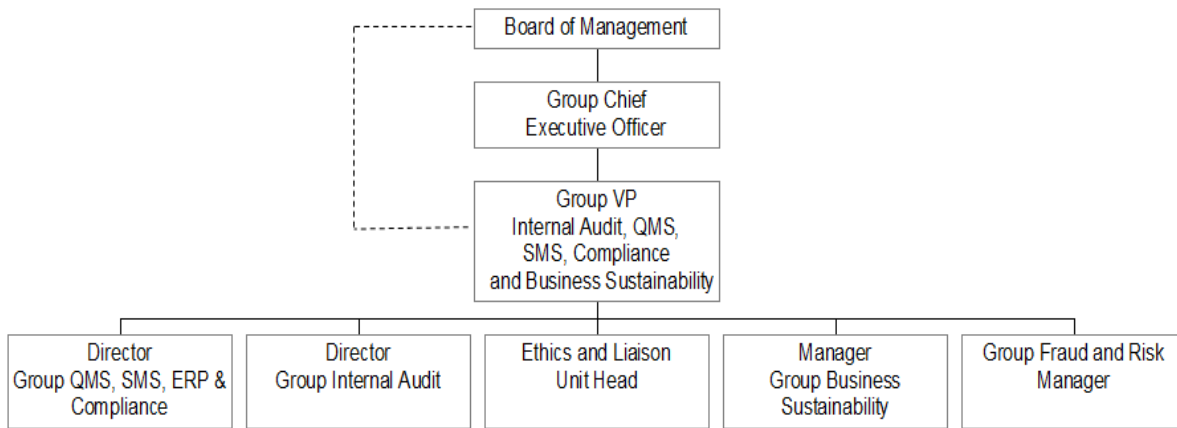


Figure 1:Org. Structure of Group Internal Audit, QMS, SMS, Compliance and Business Sustainability division

4.4.2: CHALLENGES FACING THE INTERNAL AUDIT SYSTEM

It was pertinent that the researcher seeks respondents' views on challenges facing the internal audit system. Five sub-research questions were constructed for respondents to indicate the extent to which they agreed regarding challenges facing the internal audit system.

Table 9: Descriptive Statistics of questionnaires response related to challenges facing the internal audit system

Descriptive Statistics					
Questionnaires response related to challenges facing the internal audit system.	N	Min	Max	Mean	St. Deviation
Audit is viewed within the company as a value commodity and a necessity rather than a merely a legal requirement.	215	1	5	3.38	1.17
Multiple stakeholders' expectation which, at a time, on delivering additional values may differ.	215	2	5	3.75	1.07
There is a difficulty in finding the "right talent".	215	1	5	2.97	1.19
There is a need for greater focus on matching the skill of internal audit personnel with an organization's needs and demands.	215	1	5	3.28	1.2
There is a need to do a better job at leveraging technology in internal audit including using data analytics.	215	1	5	3.27	1.24

Source; survey result

As reflected in the table above the study sought to determine the level at which respondents agreed with the statements relating to challenges facing the internal audit system at Ethiopian Airlines Group. From the findings the study established that majority of the respondents were neither agreed nor disagreed that complying with internal audit is viewed within the company as a value commodity and a necessity rather than a merely a legal requirement, and agreed that Multiple stakeholders' expectation which, at a time, on delivering additional values may differ as shown by mean of 3.75. Majority of the respondents were disagreed with the statement that there is a difficulty in finding the "right talent", and agreed with there is a need for greater focus on matching the skill of internal audit personnel with an organization's needs and demands, neutral

with there is a need to do a better job at leveraging technology in internal audit including using data analytics with a mean value of 2.97, 3.28, 3.27 respectively.

With an open ended question, the study tried to find out the challenges facing the internal audit system of the organization. According to the study some of the challenges facing internal audit are; delivering of the additional values that the company is expected, independency of internal auditors from the management desires, employees are not considering the internal audit as a legal requirement rather a value added commodity and internal auditors may not have a knowledge of all department as the company is a very large group.

4.4.3: INTERNAL AUDIT ACTIVITIES/FUNCTIONS IMPACT ON THE FINANCIAL PERFORMANCE

The researcher sought to gather information that answers the research objective of the institute to internal audit activities or functions impact on the financial performance of Ethiopian Airlines. Respondents were required to indicate whether internal controls encompass a set of rules, policies, and procedures an organization implements to provide reasonable assurance that its financial reports are reliable, the internal audit control role in detecting fraud in the Airline, fraud detection, and fraudulent activities which affects the performance of the airline, the ability of audit committees to interpret financial statements and understand financial estimates and the enhancement of financial performance by internal auditors report. Table 4.3.3 below shows the respondents' views in internal audit activities or functions impact on the financial performance of Ethiopian Airlines.

Table 10: Descriptive Statistics of questionnaires response related to internal audit activities or functions impact on the financial performance of Ethiopian Airlines

Descriptive Statistics					
Questionnaires response related to internal audit activities/functions impact on the financial performance of Ethiopian Airlines	N	Min	Max	Mean	St. Deviation
Internal controls encompass a set of rules, policies, and procedures an organization implements to provide reasonable assurance that its financial reports are reliable.	215	1	5	3.89	1.25

The internal audit control plays a vital role in detecting fraud in the Airline.	215	1	5	3.9	1.1
Fraud detection, and fraudulent activities are inherently unpredictable and difficult to detect and they affect the performance of the airline	215	1	5	3.1	1.4
Internal audit has a sound understanding of business strategy and the associated risks, and be able and willing to challenge the control environment and infrastructure supporting the strategy and be able to read across from one part of the organization to another.	215	1	5	3.86	1.19
Financial Performance					
Audit committees have the ability to interpret financial statements and understand financial estimates	215	1	5	3.77	1.1
Internal audit department of the company performs different type of audit services like financial audit, system and performance audit and it is done independently and objectively by qualified, experienced and competent internal auditors. In which the reporting of internal auditors enhance financial performance of the company	215	1	5	3.8	1.19

Source; survey result

As shown from the table above, the mean value of 3.89 indicated that majority of respondents were strongly agreed that the internal controls encompass a set of rules, policies, and procedures an organization implements to provide reasonable assurance that its financial reports are reliable and, it plays a vital role in detecting fraud in the Airline having a mean value of 3.9. The majority of respondents were also dis agreed with that fraud detection, and fraudulent activities are inherently unpredictable and difficult to detect and they affect the performance of the airline, mean value of 3.77 shows, majority of respondents were agreed with the statement that audit committees have the ability to interpret financial statements and understand financial estimates and strongly agreed with the enhancement of the financial performance with the help of internal auditors report.

The study sought to establish if the competency and independence of the internal audit enhances the financial performance of the company, some of the responses collected were; independence and competency level of the internal audit enhances the financial performance through enabling objective control over a day to day transactions and it will help them to make an independent decision based on stated policies and procedures of the company without management interfere which implies that the independence and competency level of internal audit affects the financial performance of Ethiopian Airlines.

4.4.4: DEPLOYMENT OF INTERNAL AUDIT MANAGEMENT TOOLS BY THE MANAGEMENT

Here, the study also sought to establish the extent to which respondents agreed or disagreed with the statements relating to deployment of internal audit management tools by the management and the researcher described with descriptive Statistics in the table 4.3.4 below and analyzed as follows;

Table 11: Descriptive Statistics of questionnaires response related to deployment of internal audit management tools by management

Descriptive Statistics					
Questionnaires response related to deployment of internal audit management tools by management	N	Min	Max	Mean	St. Deviation
Internal audit regularly attends executive meetings to present the audit findings, trends and current views (of the control environment).	215	1	5	3.4	1.2
The better management's perceptions of internal audit values, the higher internal auditor's completeness in identifying non-compliance activities and the more added contributions.	215	2	5	4.07	0.94
Senior management supports internal audit personnel and aware of internal audit needs.	215	1	5	3.54	1.191
Top managements of the company demands implementation of corrective actions recommended by external auditors.	215	1	5	3.53	1.179

Financial Performance					
The internal audit department gets the necessary resources that help to perform auditing activities as needed independently without the management interferes.	215	2	5	3.86	1.069
Internal audit department is large enough to efficiently carry out its all financial and non-financial duties without fail.	215	1	5	3.73	1.217

Source; survey result

From the finding and table depicted above, the highest mean value 4.04 indicated that majority of respondents were strongly agreed with the better management’s perceptions of internal audit values, the higher internal auditor’s completeness in identifying non-compliance activities and the more added contributions, and majority were also neutral with the statement that the senior management supports internal audit personnel and aware of internal audit needs and top managements of the company demands implementation of corrective actions recommended by external auditors with a mean value of 3.54 and 3.53 respectively, The mean value of 3.86 and 3.73 indicated that majority of respondents were strongly agreed with the statement that the internal audit department gets the necessary resources that help to perform auditing activities as needed and the department is large enough to efficiently carry out its duties.

Respondents were asked the extent to which they agreed or disagreed agree to the support from management enhances financial performance. Some of the opinions were; the support has to have some limit so that it cannot deter the independence of IA, the management should also facilitate trainings when it needs to upgrade their performance and skill and some management members are willing to support them as they don’t want them to know every detail of their section with the fearing of challenges came from the internal audit.

4. 5. INTERVIEW ANALYSIS

To achieve the stated specific objective, the interviews were also conducted to fill in gaps of information and knowledge that became apparent after the analysis and interpretation of data

obtained from questionnaires and the research were prepared and forwarded interview questions to the higher management of Group internal audit and finance.

Interview Responses

The interviewee responses on how internal audit affect the financial performance of Ethiopian Airlines, Effective internal audit function has a positive impact not only on financial performance but also on the overall performance of company through financial audit, performance audit and compliance audit. The audit reports identify the gaps and recommend possible solutions in such a way that the operation of the company should be conducted in efficient and effective way up to the optimal benefit of ET to strengthen the internal controls and minimize fraud including examining whether company is operating in 3E ways (economically, efficiently and effectively). Internal Audit helps in improving financial performance of Ethiopian Airlines by working in cooperation with the Auditees in finding out of revenue maximization and cost saving ideas. It also helps by improving and evaluating internal control, managing risks and investigating different frauds. Internal Audit also helps by looking the financial reliability of statements, invoices, payment and the likes Moreover, by ensuring Legal compliance, Internal Audit makes sure that no unnecessary costs are incurred. Finally, it also helps create financial accountability here by improving financial performance.

Regarding with challenges on the practicing of internal audit in Ethiopian Airlines, Some of the challenges the section faces are less of time and resource budgeted in relation with the planned works, lack of adequate trainings in some of the systems that are in use, these also include, among other things, lack of enough and ease access to data, assignment of internal auditors many tasks, lack of professional development and hostile attitude of some audit clients towards audit report and department.

Response for the status of internal auditing in ET and map (plan) of onto audit practice and improvement includes, as there is an increasing need in all sections and divisions to automate their processes to improve their performances, internal audit department is also automating and is on improvement in order to expand the audit coverage to strengthen internal control. Internal audit is helping improve ET's by conducting both performance and financial audits, the section conducts several continuous and general audits to help the organization grow and improve faster towards its vision.

4.5.1 Review of Secondary Data

The researcher has reviewed some data from the secondary sources, five years of (2013/2014 - 2017/2018) annual report with a detail financial and independent auditors report was verified by the researcher as a secondary data from the company official page. From the annual report per independent auditors the Key audit matters are those matters that, in their professional judgment, were of most significance in their audit of the financial statements. These matters were addressed in the context of their audit of the financial statements as a whole, and informing their opinion thereon, and they do not provide a separate opinion on these matters. The fact sheets which are published and posted in every month of a year was also checked so that the researcher will know the current status of the company, it let the reader know like the background information about the company, the status and achievements of the business units, new international, domestic and cargo destinations and Multiple Awards and recognitions that Ethiopian receives from reputable organizations.

4.6 Regression Results

Regression analysis was done to establish the statistical significant relationship between the independent and dependent variables. The regression analysis results were presented using model summary, ANOVA and beta of coefficient tables. The analysis applied in STATA software and presented here below as follows.

The coefficient determination also known as a model summary was carried out to measure how well the statistical model was likely predict future outcomes. The higher R^2 , the better the model and the more predictive power the variables have.

Table 12: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.853	0.7280	0.7255	0.50325

Independent Variables: (constant), internal audit activities/functions and deployment of management tools & Dependent variable: Financial performance

Based on the table above, the model had a coefficient determination (R^2) = 0.728 indicated that 72.8% of the variation in company financial performance was explained by the variables in the model leaving 27.2% of the variation in the organization financial performance to be explained

by the variables not in the model. Adjusting R^2 indicates the true behavior (effect size) of R^2 that varies in accordance with the change in independent variables. It means that the overall contribution of internal audit activities and deployment of internal audit management tools to the company financial performance accounted for 72.55% of the variation in company financial performance.

4.7 Tests of coefficient

The table below shows the level of significant on the variable. The standardized and unstandardized coefficients were also presented as follows.

Table 13: Test of coefficient

Model		Unstandardized Coefficient		Standardized coefficient	t	Sig.
		B	Std. Error	Beta		
1	(constant)	0.530	0.143		3.71	0.000
	Internal auditors activities	0.493	0.055	0.518	9.00	0.000
	Deployment of internal audit management tools	0.397	0.059	0.383	6.65	0.000

Dependent variable: Financial performance

Independent variables: Internal audit activities and deployment of internal audit management tools

In a simple or multiple linear regression, the size of independent variables indicates its effect on the dependent variable. And the sign on the coefficient (positive or negative) gives the direction.

Based on the table above beta sign of all the independent variables shows positive (+). Thus, the independent variables: Internal audit activities and deployment of internal audit management tools had a positive impact on the dependent variable, financial performance.

From the estimated regression equation

$$FP = \beta_0 + \beta_1 IAA + \beta_2 DMT + e$$

Where β_0 is constant = 0.530, $\beta_1 = 0.518$, $\beta_2 = 0.383$. The fitted regression equation of the model becomes:

$$FP = 0.530 + 0.518 IAA + 0.383 DMT + e$$

The constant has a coefficient value of 0.53 and p value 0.00 which is significant. The interpretation is that if all factors were to be held constant, company's financial performance which is measured in terms of profitability would be 53% and this amount will be up or down by the standard deviation of 0.143.

4.7 Summary and Interpretation of Findings

From the findings the study revealed that there was greater variation in financial performance of Ethiopian Airlines due to changes in internal audit activities/functions and deployment of management tools by the management, this clearly shows that changes in financial performance of Ethiopian Airlines could be accounted for by changes in internal audit activities/functions, and deployment of internal audit management tools by the management. The study also established that there was a strong positive relationship between financial performance of the airline and internal audit activities/functions and deployment of management tools.

The study revealed that internal audit activities/functions and deployment of management tools by the management had a positive relationship with the financial performance of ETAG. The study found that a unit increase in deployment of management tools by the management would lead to increase in financial performance of ETAG and a unit increase in internal audit activities/functions would lead to increase in financial performance of the company.

Mohamed (2014) had conducted a research on the internal audit in private domestic airlines comparative insights of internal audit in airline industry. From the analysis of data he has discovered that internal audits are designed to evaluate the effectiveness of an operation's internal controls by first gathering information about how a unit operates, identifying points at which errors or inefficiencies are possible, and identifying system controls designed to prevent or detect such occurrences.

Ondieki (2013) tried to establish the effect of internal audit on financial performance of commercial banks in Kenya and concludes that internal audit standards, independence of internal audit, professional competency and internal control had a positive relationship with financial performance of commercial banks.

Salih (1983) evaluated the internal controls of Ethiopian Airlines in Nairobi branch and concluded that the lack of segregation of accounting and custodian functions was the greatest

weakness of the branch office. He argued that there is need to centralize cash receipts, establish an audit unit, separate accounting unit from sales section, separate duties of purchase activities and establish a perpetual inventory system for the tickets.

Asamu (2019) examined the impacts of internal control on financial performance in Nigeria airline industry. The results of the empirical findings showed that internal control and its machineries have significant impacts on financial performance in airline industry.

Wang Jia-kang (2017) analyzes financial performance of Chinese airline companies with the methods of factor analysis. With his conclusion he suggests that Firstly, airline companies should strengthen the connection between the main airlines and regional airlines of air transport network. Secondly, airline companies should constantly innovate business model. Lastly, airline companies should use a variety of measures to reduce costs.

A study made by Boru (2014) examined profitability Analysis of Ethiopian Airlines from 2009 to 2012. The study stated that, as an international air transport service provider Ethiopian Airlines is experiencing the consequences of increasing operating expenses that affected its profitability. This is well revealed in its profit and loss statements and there is a steady increase of expenses impacting its net profits. Even though the company managed to report positive results since its existence, its profitability is in consistent decline since the recent past economic crisis of the world economy. With his conclusion the case company's revenue increased consistently with 10% and higher every year in the period however, the percentage increase of revenue was less than the percentage increase of operating expenses. As a result, operating income of the case company has declined.

Chapter Five: Conclusions and Recommendations

5.1 Introduction

The main objective of this study was to examine the impact of internal audit on financial performance of Ethiopian Airlines Group. This chapter has three parts; the first part presents conclusion of the study. The second part presents recommendations and the third part highlighted proposed future research areas.

5.2 Conclusions

The study has been conducted to meet four specific objectives. In terms of structure of company's overall internal audit system, challenges facing the internal audit system, extent of internal audit activities/function and Internal Audit management tools. To fulfill the research objectives, the study used questionnaires prepared with an open and close ended question regarding internal audit practice and effect of internal audit on company performance. The study also conducted interview with the higher management of Group internal audit and finance and document reviews as a source of secondary data.

In terms of structure of company's overall Internal Audit system the study established that the structure of company's overall internal audit system was well organized and it has a positive impact on the financial performance of the company as it has a comprehensive strategic plan, developed in collaboration with the audit committee, executive management and principal stakeholders: and aligned with the organization's own strategy and recognized by the company as a function providing quality challenge, IA has also a sound understanding of business strategy and the associated risks, and be able and willing to challenge the control environment and infrastructure supporting the strategy and be able to read across from one part of the organization to another.

Internal audit has the standing, credibility and impact to present its views in audit (and risk) committee, and influence the organization it comprises a diverse talent pool with a broad mix of skill and experience gained within internal audit and in business. Internal audit is characterized by a culture of challenge, probing, and continuous improvement and acts as a high model adhering to high ethical standards and values, has also a risk based audit plan based on a risk assessment accepted and approved by the board. It conducts end-to-end/corporate wide audit activities which enable it to obtain a holistic view and produces reports for individual audits with

a clear rating scale which identify both root causes and consequences of issues and which are delivered on a timely basis with clarity and impact, and include credible recommendations to management regarding with the exclusion and reporting.

Regarding with challenges facing the internal audit system, from the finding it is observed that there is a need for greater focus on matching the skill of internal audit personnel with an organization's needs and demands, also need to do a better job at leveraging technology in internal audit including using data analytics. Multiple stakeholders' expectation which, at a time, on delivering additional values may also differ, majority of respondents were also neutral with the statement that audit is viewed within the company as a value commodity and a necessity rather than a merely a legal requirement. In terms of extent in IA activities/function, Internal controls encompass a set of rules, policies, and procedures an organization implements to provide reasonable assurance that its financial reports are reliable, has also plays a vital role in detecting fraud in the Airline and its report enhances financial performance. Audit committees have the ability to interpret financial statements and understand financial estimates. Regarding Internal Audit management tools, from the finding the better management's perceptions of internal audit values, the higher internal auditor's completeness in identifying non-compliance activities and the more added contributions, the department gets the necessary resources that help to perform auditing activities as needed and it is also large enough to efficiently carry out its duties.

5.3 Recommendations

The overall objective of this study was to examine the impact of internal audit on financial performance of Ethiopian Airlines Group. In this regard, the quantitative data analysis methods were used. According to the research objectives and based on the data analysis, the researcher provides the following recommendations to the concerned bodies.

- 1.** The composition of employees in internal audit need to include sufficient individuals who are senior and experienced enough, with sufficient business understanding, to apply judgment and challenge the business on a broad array of topics. The company will get the highest benefits from them as they have the know-how gleaned from years on the job and weathering business-cycle dips, management trends and different bosses. Their institutional knowledge alone means firms won't have to spend time and money

reinventing the wheel and is the work ethics; also they are more likely to demonstrate dependability and perseverance and remain task-focused. Those traits offer a good model for younger workers and the other benefit is customer service because they are more emotionally mature and can better relate to customers. Happily, research indicates verbal communication, among other skills, increases with age.

2. There is a need for continuously update of the internal auditors with the changing environment and technologies and sharpen their skills to become crucial.
3. IA managers should know exactly what skills the department staffs already have and what competencies they are lacking. Based on this information, they can organize trainings and seminars - to fill the gaps in the knowledge and skills and there has to be an appropriate mechanism for identifying the skill and competencies required to deliver its annual plan, identifying and relieving gaps and being responsive to the changing risk profile of the organization.
4. Now a days staffing decisions are becoming more complex than they used to be, it is not only do you have to think about whether you want an employee, but you also need to think about offshore options, diversity, and legal obligations, the best roadmap for a staffing strategy is the organization business plan, which should contain details about both short-term and long-term goals for the company, so the internal audit department should be forward thinking in its medium to long term staffing strategy.
5. Employees wants to have a career developing skill and sector/department in which they can exercise their skill and to not stuck in a rut, and employers also need to see their employees succeed by adding a value to them, internal audit need to be able to attract the right by providing a value adding career development opportunity to the organizations top talent.
6. One way businesses attract and retain top talented employees is by offering comprehensive compensation and benefits packages. What the company provides depends on the budget available, the size of your company, and what the employees value most, internal audit should have competitive remuneration polices based on the achievement of defined performance metrics.

7. Using different industry required mechanisms fraud detection, and fraudulent activities need to be identified and measure has to be taken, so that they couldn't affect the performance of the airline.
8. There has to be a correct relationship of the internal audit to senior management within the company, Internal auditors are in a unique position to evoke positive change and add value to a company, but they can only be successful if they have proper board support Senior management supports internal audit personnel and aware of internal audit needs.
9. An external audit is an independent examination of the financial reports of the company by verifying whether the statements are prepared in accordance with the set law and accounting standards, and one of the key responsibilities of them is discussing the conclusion and provides the recommendation. Top managements of the company have to implement the corrective actions recommended by external auditors in turn add a value to the company.

5.4 Directions for Future Research Gap

The researcher suggests the empirical researches to be on the following areas for future research:

- I. The study covered only one company. For this reason, the results from this study cannot be taken as conclusive. There is a need to conduct a study of more companies in other industry/sector, or even other many topics with the same company as it is a very vast and huge company to be studied.
- II. The merger of Ethiopian airlines and Ethiopian airports or the acquisition of foreign equity airlines like Mozambique, Tchadia and Asky is also another dimension to be studied

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Appendix I: Questionnaire for Internal audit and Finance staffs



ADDIS ABABA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING AND FINANCE (GRADUATE PROGRAM)

Questionnaires for Internal Audit and Finance staff

Dear participants:

This questionnaire is designed to gather data on the structure of internal auditing and its impact on the financial performance of Ethiopian Airlines Group. The information you provide in response to the item in the questionnaire will be used as a part of the data needed for a study of **“Impact of Internal Audit on the financial performance of Ethiopian Airlines Group”**. The study is being conducted as a part of the undersigned researcher’s study for the partial fulfillment for the award of **MSC in Accounting and Finance** from Addis Ababa University.

The questionnaire is anonymous; so please do not write your name. You are highly encouraged and expected to respond to each question with the most truthful and candid way possible. I would like to assure you that your response will only be used for the intended academic purpose and will be maintained confidential.

Thank You in advance for your time and cooperation.

With best regards,

GizachewK

Should you need any further clarification please contact me via mobile +251967943162 or gizachewkorma21@gmail.com

SECTION A: BACKGROUND INFORMATION

Please tick (√) to the appropriate answer where applicable:

1. Please indicate where you fall among the following age brackets (years).

- A. 18-27 B. 28-37 C. 38-47
D. 48-57 E. 58 years and above

2. Where would your highest academic qualification fall among the following, please indicate.

- A. Ordinary Diploma B. Bachelor Degree/Advanced Diploma
C. Master’s Degree/Post Graduate Diploma D. PhD

3. Do you have any professional qualification? A. Yes B. No

4. If your answer to the above question is yes, what is your Professional Qualification?

- A. CPA B. ACCA C. CIMA
D. None E. Other (Specify).....

5. Number of years working in the company.

- A. Less than 3 years B. 3–5 years C. 5–9 years
D. 10 years and above

6. Have you ever attended Training in Auditing? A. Yes B. No

7. If YES in 6 above, how long was the duration of your training (months).....

8. Status / designation in your current employment.....

SECTION B: STRUCTURE OF COMPANY'S OVERALL INTERNAL AUDIT SYSTEM

Please indicate (√) your opinion as to the extent to which you agree or disagree with the following statements where: **A = Strongly Agree; B = Agree; C = Neutral; D = Disagree; and E = Strongly Disagree.**

D.Positioning

Mandate and strategy						
No.	Statement	A	B	C	D	E
1.	Internal audit has a comprehensive strategic plan, developed in collaboration with the audit committee, executive management and principal stakeholders: and aligned with the organization's own strategy.					
2.	Internal audit is recognized by the company a function providing quality challenge.					
Organization and structure						
3.	Internal audit is independent from the business and has clear and unfettered reporting into the audit committee and direct access to the chairman of the board.					
4.	Internal audit is structured so as to enable both the maintenance of independence and objectivity on the other hand, and proximity to the business.					
Stakeholders						
5.						
6.	Through its activities, internal audit is able to articulate to senior management the risk of their action in a structured and balanced manner, and provide credible recommendations to mitigate the risk.					
7.	Internal audit has strong relationship with key external stakeholders (in particular, external auditors and any relevant regulators).					

Funding					
8.	Internal Audit has no unreasonable budgetary constraints which limit its ability to deliver on its mandate, given the risk appetite of the organization.				
9.	Internal audit manages its resources effectively to maximize the value of its service to the business.				

E. People

Leadership					
10.	Internal audit has the standing, credibility and impact to present its views in audit (and risk) committee, and influence the organization.				
11.	Internal audit includes sufficient individuals who are senior and experienced enough, with sufficient business understanding, to apply judgment and challenge the business on a broad array of topics.				
Competencies					
12.	Internal audit comprises a diverse talent pool with a broad mix of skill and experience gained within internal audit and in business.				
13.	There is an appropriate mechanism for identifying the skill and competencies required to deliver its annual plan, identifying and relieving gaps and being responsive to the changing risk profile of the organization.				
Internal audit Staffing strategy					
14.	Internal audit is forward thinking in its medium to long term staffing strategy.				
15.	Internal audit is able to attract the right by providing a value adding career development opportunity to the organizations top talent.				
Culture					
16.	Internal audit is characterized by a culture of challenge, probing, and continuous improvement				
17.	Internal audit acts as a high model and adheres to high ethical standards and values				
Reward and appraisal					

18.	Internal audit has competitive remuneration polices based on the achievement of defined performance metrics.					
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F. Process

Risk assessment and planning						
19.	Internal audit has a risk based audit plan based on a risk assessment accepted and approved by the board					
20.	Internal audit is forward looking when determining the audit plan and is quick enough to adapt its planned activities, sometimes rapidly, in the case of new and emerging risks.					
Execution						
21.	Internal audit conducts end-to-end/corporate wide audit activities which enable it to obtain a holistic view.					
22.	Internal audit harnesses technology throughout its audit and administrative process to maximize efficiencies and improve audit effectiveness.					
Reporting						
23.	Internal audit produces reports for individual audits with a clear rating scale which identify both root causes and consequences of issues and which are delivered on a timely basis with clarity and impact, and include credible recommendations to management					
24.	Internal audit has rapid and effective mechanisms in place for the escalation of issues requiring senior management attention.					

Does the internal audit have added a value to the organization? If yes, how?

.....

SECTION C: CHALLENGES FACING THE INTERNAL AUDIT SYSTEM

A = Strongly Agree; B = Agree; C = Neutral; D = Disagree; and E = Strongly Disagree.

No.	Statement	A	B	C	D	E
1.	Audit is viewed within the company as a value commodity and a necessity rather than a merely a legal requirement.					
2.	Multiple stakeholders' expectation which, at a time, on delivering additional values may differ.					
3.	There is a difficulty in finding the "right talent".					
4.	There is a need for greater focus on matching the skill of internal audit personnel with an organization's needs and demands.					
5.	There is a need to do a better job at leveraging technology in internal audit including using data analytics.					

In your opinion what are the challenges facing the internal audit system of the organization?

.....

SECTION D: INTERNAL AUDIT ACTIVITIES/FUNCTIONS IMPACT ON THE FINANCIAL PERFORMANCE OF EAL

A = Strongly Agree; B = Agree; C = Neutral; D = Disagree; and E = Strongly Disagree.

No.	Statement	A	B	C	D	E
1.	Internal controls encompass a set of rules, policies, and procedures an organization implements to provide reasonable assurance that its financial reports are reliable.					
2.	The internal audit control plays a vital role in detecting fraud in the Airline.					
3.	Fraud detection, and fraudulent activities are inherently unpredictable and difficult to detect and they affect the performance of the airline					
4.	Internal audit has a sound understanding of business strategy and the associated risks, and be able and willing to challenge the control environment and infrastructure supporting the strategy and be able to read across from one part of the organization to another.					
Financial Performance						
5.	Audit committees have the ability to interpret financial statements and					

	understand financial estimates					
6.	Internal audit department of the company performs different type of audit services like financial audit, system and performance audit and it is done independently and objectively by qualified, experienced and competent internal auditors. In which the reporting of internal auditors enhance financial performance of the company					

To what extent do you agree the competency and independence of the internal audit enhances the financial performance of ETAG?

.....

SECTION E: DEPLOYMENT OF INTERNAL AUDIT MANAGEMENT TOOLS BY MANAGEMENT

A = Strongly Agree; B = Agree; C = Neutral; D = Disagree; and E = Strongly Disagree.

No.	Statement	A	B	C	D	E
1.	The better management’s perceptions of internal audit values, the higher internal auditor’s completeness in identifying non-compliance activities and the more added contributions.					
2.	Internal audit regularly attends executive meetings to present the audit findings, trends and current views (of the control environment).					
3.	Senior management supports internal audit personnel and aware of internal audit needs.					
4.	Top managements of the company demands implementation of corrective actions recommended by external auditors.					

Financial Performance

5.	The internal audit department gets the necessary resources that help to perform auditing activities as needed independently without the management interferes.					
6.	Internal audit department is large enough to efficiently carry out its all financial and non-financial duties without fail.					

To what extent do you agree to the support from management enhances financial performance?

.....

.....
Thanks for your Cooperation.

Appendix II: Interview



ADDIS ABABA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING AND FINANCE (GRADUATE PROGRAM)

INTERVIEW WITH VP INTERNAL AUDIT AND CFO (THEIR REPRESENTATIVES)

Dear participants:

This interview is designed to gather data on the structure of internal auditing and its impact on the financial performance of Ethiopian Airlines Group. The information you provide in response to the item in the interview will be used as a part of the data needed for a study of **“Impact of Internal Audit on the financial performance of Ethiopian Airlines Group”**. The study is being conducted as a part of the undersigned researcher’s study for the partial fulfillment for the award of **MSC in Accounting and Finance** from Addis Ababa University.

The interview is anonymous; so you are highly encouraged and expected to respond to each question with the most truthful and candid way possible. I would like to assure you that, this transcript will only be used to extract some conclusion in aggregate terms, without any reference to your identity. Therefore, your name or any identifier will not be appeared in any of the outputs of the research.

I would also like to advise that participations in this interview is voluntary and you may choose to withdraw at any time during or after the interview.

Thank You in advance for your time and cooperation.

With best regards,

GizachewK

General interview questions:

1. How does internal audit affect the financial performance of Ethiopian Airlines?
2. What are challenges on the practices of internal audit in Ethiopian Airlines?
3. How does the status of internal auditing in ET and map (plan) of onto audit practice and improvement?