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ADDIS ABABA UNIVERSITY COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING AND FINANCE

EFFECT OF INTERNAL AUDIT ON ORGANIZATIONAL PERFORMANCE:

THE CASE STUDY OF NIB INTERNATIONAL BANK

BY

TSION ALEMU

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THE REQUIREMENTS FOR THE AWARD OF MASTER OF SCIENCE IN
ACCOUNTING AND AUDITING**

ADVISOR

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ADDIS ABABA ETHIOPIA

Statement of Declaration

I, Tsion Alemu, declare that This thesis is my original work and has not been presented in any other university or institution. All sources and materials used are duly acknowledged.

Declared by: Tsion Alemu

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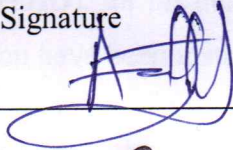

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Approved by Examining Board

This is to certify that the research project prepared by Tsion Alemu, titled "Effect of internal audit on organizational performance: in the case of Nib International Bank" required to submit in partial fulfillment for the MSc in Accounting and Auditing under Addis Ababa University College of Business and Economics and meets the accepted standards concerning originality and quality.

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Acronyms

COSO: The commitment of Sponsoring Organizations of the tread way Commission.

ESLSE: Ethiopian Shipping & Logistic Service Enterprise

GTP: Growth and Transformation Plan

IA: Internal Audit

ICT: Information Communication Technology

IIA: Institution of Internal Auditors

IPPF: International Professional Practice Framework

KPMG: Klynveld Peat Marwick Goerdeler

LGA: Local Government Area

MOFED: Ministry of Finance and Economic Development

SME: Small and medium-sized enterprises

SPSS: Statistical package for social science

VIF: Variance Inflation Factor

Abstract

This research paper the effect of internal audit on organizational performance at Nib International Bank with a specific focus on examining how internal auditor independence, audit quality, management support, and auditor risk evaluation practices influence the bank's performance. The research methodology employed a quantitative research approach, data were collected from 71 respondents across the internal audit, finance, and risk departments using structured questionnaires. Descriptive and inferential statistical tools, including correlation and regression analyses, were used to analyze the data. the findings reveal that internal auditing plays a significant role in enhancing organizational performance by strengthening risk management, improving internal controls, and increasing operational efficiency. The study also highlights that auditor independence and management support are critical factors in ensuring audit effectiveness. In addition, the correlation study demonstrates a strong and positive relationship between the organization's audit performance and the elements influencing auditing. Based on the findings, this paper proposes recommendations to strengthen internal audit practices for improved performance. This research contributes to the understanding of internal auditing's role in the organization.

Key words: Performance, independency, risk evaluation practice, quality of audit work, management support

CHAPTER ONE

1.INTRODUCTION

This chapter provide general information about the research topic in order to give some clues to the readers about the study area. The chapter begin with the background of the study then followed by background of the organization, the statement of problems, research question, overall objectives of the study, significance of the study, scope of the study and finally organization of the paper.

1.1 Background of the Study

Internal audit is considered an integral part of management and an essential element of strong corporate governance. Dynamic changes in the global economy, the complexity of regulations and technological advances in recent years have set new tools and directions of development of internal audit, which support management and create added value to the organization. These capabilities also resulted in the new image of an internal auditor with an extended set of skills and best practices adapted to the requirements of the environment (Olga,2017). Organizations have been facing rapid changes in terms of economic complexity, increased regulatory requirements, and emergence of digital technology in recent years. In the past, the corporate scandals and the global financial crisis also created awareness in the public and regulatory bodies to give unique position to internal audit in corporate governances for internal assurance services (Soh & Bennie, 2011). According to (Whittington & Pany, 2012) the importance of internal audit function has increased as a factor in enhancing the quality of a company's internal control, and its development has made a substantial contribution to the contemporary audit practices.

Currently, an internal audit is considered an integral part of management and an essential element of strong corporate governance. Dynamic changes in the global economy, the complexity of regulations and technological advances in recent years have set new tools and directions of development of internal audit, which support management and create added value

to the organization. These capabilities also resulted in the new image of an internal auditor with an 1 extended set of skills and best practices adapted to the requirements of the environment (Olga,2017).

Internal audit (IA) is a basic element of internal control. It is an independent activity carried out by specialists in institutions (Alyaarubi, Alkindi, & Ahmed, 2021). IA is a useful tool aimed at supporting administrations in examining regulatory policies to ensure asset protection and the efficiency of data contained in accounting records, which are aimed at increasing higher possible adequacy of productivity. The Institute of Internal Auditors (IIA,2020). This function is essential for the success of all firms, including banks. Banks attach great importance to protecting their property as they seek to preserve it, especially given its large size and diversified business, to ensure their survival and continuity. Banks have come to attach particular importance to auditing, where auditing is a tool that helps to identify mistakes and fraud, to ensure that the goals of banks are protected, and to confront the economy of their surrounding full of changes, especially in the era of globalization and rapid global changes. IA management is one of the most important departments in banks, where the IA department is the most critical element in evaluating the work of departments in banks. It is the backbone of accounting because this department tracks all financial operations in institutions (Hazaea et al. 2020).

In today's complex and dynamic business environment, organizations face numerous challenges that can significantly impact their performance and sustainability. To address these challenges, the internal audit function has emerged as acritical component of effective cooperate governance (Hala, 2003; Clikeman, 2003).

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps organizations accomplish its objective by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes (The Institute of Internal Auditor (IIA), 2016)).

1.2 Back ground of the organization

Nib International Bank was founded with a paid-up capital of birr 27.6 million and an authorized capital of birr 150 million from 717 shareholders on May 26, 1999, under license number LBB/007/99, in compliance with the Commercial Code of Ethiopia and the Proclamation for Licensing and Supervision of Banking Business Proclamation no. 84/1994. On October 28, 1999, the Bank opened for business with 27 employees and it joined the bank industry as the sixth private bank licensed in the nation.

As of June 30, 2023, Nib International Bank reported total assets of Birr 77.0 billion, reflecting an increase of Birr 15.5 billion from the previous year's total of Birr 61.5 billion, resulting in a growth rate of 25.3%. The total deposits mobilized by the Bank reached Birr 59.4 billion, which is an increase of Birr 9.6 billion, or 19.3%, compared to last year's figure of Birr 49.8 billion. The Bank's profit before tax was Birr 2.0 billion, while the profit after tax amounted to Birr 1.5 billion (Annual Report, 2023). Gross profit rose by Birr 210.7 million, a 12.0% increase from the Birr 1.8 billion recorded in the previous financial year. Likewise, net profit increased by Birr 168.2 million, representing a growth of 12.6% from last year's total. According to data from the Human Resources Department, the Bank employs approximately 8,700 individuals across its Head Office, districts, and 441 branches nationwide, including in Addis Ababa.

1.3 Statement of the problem

The effectiveness of internal auditing in banks is significantly influenced by several factors, including a lack of independence within the internal audit department, insufficient adherence to professional ethics, weaknesses in internal control systems, and deficiencies in audit fieldwork, as noted by Hazaea (2020). Internal audit plays a crucial role in the banking sector, particularly in risk management and enhancing overall banking performance (Kaawaase, Nairuba, Akankunda, & Bananuka, 2021). In Ethiopia, the practice of internal auditing varies, with many banks, including Nib International Bank, facing challenges that hinder effective implementation. Despite recognizing the importance of internal audit, NIB Bank has demonstrated weaknesses in this area.

Evidence from the bank's reports indicates that NIB Bank has extended loans to individuals without requiring enough collateral, reflecting a significant lapse in internal audit processes. Furthermore, the bank lacks internal audit staff, who often work without the necessary independence. Some staff members have even been complicit in misuse the bank's financial resource. The practical issues faced by NIB Bank in 2023 from inadequate management support, along with existing problems such as weak governance, high levels of non-performing loans, corruption and mismanagement, and overall economic instability, all of which contribute to poor-quality internal audits. Consequently, these deficiencies have adversely impacted the bank's performance.

Numerous empirical studies have been conducted to enhance understanding of internal audit effectiveness, its determinants and its effect on organizational performance. For instance, Kaawaase et al. (2021) explored the effect of corporate governance on internal audit functions, subsequently improving financial reporting in financial institutions. Betti & Sarens (2021) emphasized the need for internal auditors to adapt to digitalization, highlighting its significance in maintaining audit effectiveness in a rapidly evolving business landscape. Additionally, Alyaarubi et al. (2021) demonstrated that high-quality internal audits can mitigate earnings management, while Nguyen (2021) examined the oversight of bank risk-taking, revealing that different governance structures impact risk management practices.

Despite this substantial literature, there is a notable gap regarding the banking sector in Ethiopia. While various studies (see Berhe et al., 2016; Yemataw, 2022; Nigussie, 2023; Kassaye, 2023) have begun to address internal audit effectiveness in the Ethiopian context, comprehensive empirical research specifically focused on the unique challenges faced by Ethiopian banks, Factors such as the independence of internal audit procedures, top management support, regulatory challenges, cultural influences, audit quality, and the economic environment. further research to understand the effect of internal audit practices on both financial and non-financial performance outcomes.

Addressing these gaps call for empirical studies that can provide a comprehensive understanding of the relationship between internal audit and organizational performance in emerging banking sectors. Therefore, this study aims to contribute to the development of more effective internal

audit practices, ultimately improving the performance of Ethiopian banks, and particularly Nib International Bank. The study's findings will enhance the existing body of knowledge by exploring the influence of level of internal audit independence, management support, quality of audit work and auditor risk evaluation practice on bank performance at Nib International Bank.

1.4 Research questions

For the purpose dealing with the above problem, the study focused to answer the following basic research question:

1. What is the current practice of internal auditing at Nib Bank?
2. How does the level of internal auditor independence affect organizational performance?
3. What is the effect of internal audit quality on organizational performance?
4. How does management support in audit finding affect organizational Performance?
5. How does auditor risk evaluation practice affect organizational performance?

1.5 Hypothesis

Research Hypothesis Based on the gap in the existing literatures the researcher tried to fill it by developing the following guiding research hypotheses. The following four hypothesis were designed for the relationships between the independent factors selected for the study, i.e., independence of auditor, audit quality, the management support, auditor risk evaluation practice, and the dependent variable; organizational performance and the below relationships were hypothesized:

The internal audit guideline also states that internal auditors shall be independent of the activities they audit and preserve an independent attitude so as to conduct the audit activity effectively and efficiently (Sayag, 2010 Moraa, 2012). As per this literature the researcher wants to hypothesize as; *H1: The independency of auditors has a significant and positive effect on organizational performance.*

Internal audit quality, which is demonstrated by the offices' capability to provide useful findings and recommendations, is one of the most prominent factors on which audit effectiveness is anchored (Moraa, 2012 and Maletta, 2013)). The performance standards of the IIA (2004; 2009)

require the auditor to plan and perform the work such that he or she would be able to arrive at 4 useful audit findings and forward recommendations for improvement. The office's ability to properly plan, perform and communicate the results of audits is a substitution for audit quality (Moraa, 2012). Therefore, audit quality is debatably a function of extensive staff expertise. As per this literature the researcher wants to hypothesize as; *H2: Quality of audit work has a significant and positive effect on organizational performance.*

Internal audit departments must have the right and the resources needed to hire the right number of high-quality staff, maintain modern training and development, to obtain and maintain physical resources (Sayag, 2010 Tamene et al, 2014). Wanyoike (2007); Moraa (2012) and Tamene et al (2014) contended that top management support and commitment have a vital role in organizational performance. As per this literature the researcher wants to hypothesize as; *H3: management support has a significant and positive effect on internal audit performance.*

The internal audit literature emphasizes that effective risk evaluation practices by auditors are critical in identifying, assessing, and prioritizing potential risks that lead to achievement of organizational objectives. According to Arena and Azzone (2009), auditors who thoroughly evaluate risk are better positioned to focus audit resources on high-risk areas, thus enhancing audit effectiveness. Likewise, Mihret and Yismaw (2007) argue that comprehensive risk assessment by internal auditors contributes to better audit planning and improves overall audit performance. Based on this literature, the researcher hypothesizes: *H4: Auditor risk evaluation practices have a significant and positive effect on organizational performance.*

1.6 Objectives of the study

1.6.1 General objective

The main objective of this study is to examine the effects of Internal Audit on organizational performance for the case of NIB International Bank, taking Head office and Districts in Addis Ababa.

1.6.2 Specific objective

Specifically, the study has the following specific objectives:

1. To examine the practice of internal auditing on organizational performance.
2. To analyze the effect of level of internal auditor independency on organizational performance.
3. To examine the effect of internal audit quality on organizational performance.
4. To examine the effect of management support in audit finding on organizational performance.
5. To examine the effect of auditor risk evaluation practice on organizational performance.

1.7 Significance of the study

The finding of this research study would have significant implications for organizations and practitioner and other researchers. By identifying the specific areas where internal audits practices have the most substantial influence on organization's performance, organizations can optimize their internal audit functions to drive better outcomes and also this study would provide valuable insights for the management of the organization to understand the effectiveness of their internal audit function and identify areas of improvement, ultimately leading to better organizational performance. practitioners would benefit from a deeper understanding of the value they deliver as internal auditors. It would be useful to other researchers wanting to conduct studies on effect of internal audit on organizational performance as a reference.

1.8 Scope of the Study

This study was geographically limited to NIB Bank, specifically at head office and four districts in Addis Ababa. This limitation was justified because valid and reliable audit findings were only available at these levels.

Conceptually, the study aimed to discuss on how internal audit affect the organizational performance of NIB Bank. specifically, the study focused on how the level of internal auditor independence, internal audit quality, management support, and auditor risk evaluation practices affected bank's organizational performance.

Methodologically, a quantitative approach was adopted, employing both descriptive and explanatory designs. Data were collected from auditors, risk and compliance departments, and finance departments at both the head office and district levels using structured questionnaires. Census method was utilized. The data were analyzed using SPSS version 26, applying descriptive statistical tools (frequency, percentage, mean, and standard deviation), as well as inferential statistics (correlation and multiple regression).

1.9 Limitation of the study

In conducting this study, the researcher experienced limitations on, most of the respondents were late to give response for the questionnaire, they were too busy and some of them were not on their place of work due to field audit; therefore, the researcher tried to solve this issue by distributing them the questionnaires in appropriate time and tried to get sufficient and reliable data for the study in order to arrive on a useful conclusion.

1.10 Organization of the Study

This study was organized in to five chapters. The general introduction assessed in the first chapter. And the relevant literature in the field discussed in the second chapter. In chapter three research design and methodology is presented. Following this, chapter four containing results and discussion. Finally, a summary, conclusions, and recommendations presented in the fifth chapter.

CHAPTER TWO

2. REVIEW OF RELATED LITERATURE

2.1 Introduction

This chapter provide the readers an imminent into prior studies that have been conducted on the internal audit contributions. It provides the reader the important concepts related to the study and also make the backbone for the research analysis. The aim behind this study is to increase the understandability of the basic concept related to the internal audit effect and other concepts.

2.2 Theoretical Review

2.2.1 Concepts and definition of Internal Audit

The Institute of Internal Auditors (IIA, 2011) Internal auditing is described as "an independent, objective assurance and consulting activity designed to add value and improve an organization's operations". By providing a methodical, disciplined approach to assess and enhance the efficacy of risk management, control, and governance procedures, it aids a business in achieving its goals. Its goal is to support organization members in carrying out their duties in an efficient manner. Internal audit provides them with analysis, evaluations, suggestions, advice, and data regarding the activities examined in order to achieve this goal. One of the audit's goals is to encourage cost-effective control.

According to the definitions given above, internal audit should be a separate department inside a company that prioritizes objectivity. Therefore, the main purpose of internal auditing is to give the organization's management an unbiased, independent view. the results of an independent, focused internal audit function also include findings and recommendations that provide officers

in an organization with a tool to implement appropriate corrective measures and aid in closing gaps that would otherwise remain unnoticed for a long time.

The definitions place emphasis on assurance and consultation components of internal auditing. It is important that internal audit maintains its independence from the project while carrying out these two responsibilities. Although internal audit could serve as a facilitator in this process, management should ultimately make the decisions because they are primarily responsible for managing the project. Internal auditing is described as "a systematic, independent appraisal of all operations including administrative activities with the goal of advising on management practices and controls" in the Ministry of Finance and Economic Development's (MOFED, 2010) internal audit guidelines. The manual lists the following as internal auditors' duties: include Conducting internal audits at predetermined intervals can help to ensure that public funds and assets are used for their intended purposes. Make audit plans and procedures that are appropriately adapted to the needs of the public body; Establish a monitoring mechanism that will periodically assess the public body's compliance with pertinent internal and external policies and procedures and report the findings to management.; Regularly update management on its internal policies and controls, including their effectiveness, economy, and efficiency. forward or submit audit reports to the head of the public body. The internal audit body should be independent and the internal auditors should be impartial when doing an internal audit. To preserve the internal audit department's independence, the organization's head will have direct control over it. The internal auditor must also be able to professionally confer with the head of the company and carry out inspections in areas where mistakes could occur.

2.2.2 Review of Audit Theories

Various theories have been formulated on internal audit concepts. These include Agency, contingency, lending credibility, Institutional and Communication theories discussed as follows:

2.2.2.1 Agency Theory

Agency theory is concerned with resolving problems that can exist in agency relationships; that is, between principals (such as shareholders) and agents of the principals (for example, company

executives). The two problems that agency theory addresses are: the problems that arise when the desires or goals of the principal and agent are in conflict, and the principal is unable to verify what the agent is actually doing and the problems that arise when the principal and agent have different attitudes towards risk. Because of different risk tolerances, the principal and agent may each be inclined to take different actions. (Adams, 1994) in his article stated that Agency theory can provide for richer and more meaningful research in the internal audit discipline. Agency theory contends that internal auditing, in common with other intervention mechanisms like financial reporting and external audit, helps to maintain cost-efficient contracting between owners and managers. Agency theory may not only help to explain the existence of internal audit in organizations but can also help explain some of the characteristics of the internal audit department, for example, its size, and the scope of its activities, such as financial versus operational auditing. Agency theory can be employed to test empirically whether cross-sectional variations between internal auditing practices reflect the different contracting relationships emanating from differences in organizational form.

2.2.2.2 Contingency Theory

Contingency means: one thing depends on other things and Contingency theory means: it depends. Audit functions are task-oriented and can be loosely structured. The functions also can vary considerably, depending on the area of a company under audit and the type of business model, so auditors must carefully manage their inspections and take variables into account to get the job done. The contingency theory also can be applied to an audit team's structure. Typically, audit team managers receive audit projects. They then create ad hoc audit teams for the projects, selecting auditors based on expertise and experience in the subject areas, and on auditor availability, all of which add up to contingencies for any given audit project. Daft (2012), Audit teams use a mix of structure and contingency to get the output rolling quickly. The subject of auditing projects can include such diverse areas as evaluation of production processes, inspection of company accounts, and assessment of compliance with industry standards. Selecting auditors with specialized training or those who have a particular skill set in the subject area minimizes the learning curve and reduces opportunities for errors. The quality and output of

audits remain assured when audit teams use resources according to expertise and experience, and when auditors are flexible and can adapt to process fluctuations. For example, an auditor experienced in evaluating financial instruments can be effective in an audit exercise of a bank or hedge fund, even when the financial instruments the institution offers do not fit the typical mould (Davoren, 1994).

2.2.2.3 Lending Credibility Theory

Volosin (2007) in his book mentioned that the lending credibility theory is similar to the agency-theory and it states that audited financial statements can enhance stakeholders' faith in management's stewardship. The business world consists of different groups that are affected by, or participate in, the financial reporting requirements of the regulatory agencies. They are shareholders, managers, creditors, employees, government and other groups. The major recipients of the annual reports are the shareholders, including individuals with relatively small shareholding and large institutions such as banks or insurance companies. Their decision is usually based on the financial reporting and the performance of the company management, who have a responsibility to act in the interests of investors. The auditor is appointed by the company shareholders and reports his results to his clients. The aim of the auditor's report is to comment on how accurately the company presents its financial situation and how it is performing. This should reassure the shareholders that their investment is secured and also help to reduce the practice of misleading accounting procedures designed to show the company in a more favorable light. Basically, the audit is represented as a process designed to evaluate the credibility of information of a company's financial statements (Letza, 1996)

2.2.2.4 Institutional Theory

Institutional theory explains about institutional pressures effect on organizational structures and practices (Abu-Azza, 2012). Institutional pressures can include external or internal sources (Mihret, et al., 2010; Zucker, 1987). According to DiMaggio & Powell, (1983) there are three institutional pressures coercive, normative, and mimetic. Similarly (Arena & Azzone, 2007) identified the institutional pressures that impact both individuals in part and organization as a whole as laws and regulations (coercive isomorphism); choices of other organizations (mimetic

isomorphism); and consultation or professional bodies (normative isomorphism). Isomorphic processes can increase the efficiency of IA activities of an organization. Because being similar to other organizations in their industry rewarded organizations (DiMaggio & Powell, 1983). This similarity can make easier to transact with other organizations to attract carrier minded staff, to be acknowledged as legitimate and reputable, and to fit into administrative eligibility (Abu-Azza, 2012). Coercive isomorphism is a pressure which applied to establish IAD (Al-Twajjry, et al., 2003).

Institutional theorists consider organizations as members of an organizational field, which comprises several organizations or industries that are interrelated in some way. This interrelation leads organizations to influence others (Mihret, et al., 2010). Arena &Azzone, (2006) indicate that institutional theory provides a means of understanding the conforming and legitimating processes which affect the development of IA. Institutions are social structures that have attained a high degree of resilience (Changwony & Rotich, 2015). DiMaggio & Powell, (1983) argue that institutions result from 'structuration'. According to Mihret, et al., (2010) as sited the work of Giddens, (1984), structures are rules and resources that enable functioning of social systems. Normative isomorphism is a pressure which develops from increased proficiency within organizations. It has a positive relationship with institutional changes due to an organization's recognition of professions (Abu-Azza, 2012).

There are two aspects of professionalization which are important for sources of isomorphism (DiMaggio & Powell, 1983). Firstly, the formal education which provided by higher education professionals. To this regard, internal auditors must undertake courses about internal auditing in higher education institution level. Secondly, training programs produced by professional institutions. In this regard, internal auditors must qualify like a Certified 14 Internal Auditors (CIA) or establishing a chapter of the IIA in their organization. Therefore, higher education and professional training institutions are important for the development of organizational departments like internal auditing. Several studies in internal audit have adopted an institutional theory (Abu-Azza, 2012; Arena &Azzone, 2007; Changwony&Rotich, 2015; Mihret, et al., 2010; Ramachandran, et al., 2012; Al- Twajjry, et al., 2003).

Institutional theory is relevant for this study according to the following reasons. Firstly, institutional theory includes IA practices which are part of organizational structures and it helps

to discuss such organizational phenomena without a limited set of organizational goals (Abu-Azza, 2012). Secondly, institutional theory supports countries where the equity market is underdeveloped like Ethiopia (Mihret, et al., 2010). Therefore, this study draws on isomorphic processes of normative and coercive as suggested by institutional theory to investigate the factors determining IA effectiveness.

2.2.2.5 Communication Theory

Both IIA Standards and previous studies support the study of internal auditing according to effective communication theory. Earlier studies confirm the importance of effective communication skill in organizations specifically in IAD (Golen, 2008; Hahn, 2008). In ability to communicate effectively can be related to inappropriate information or communication complexity (Endaya & Hanefah, 2013). Both little and much information are not suitable to communicate effectively (Hahn, 2008). Internal auditors effective communication can be explained through the existence such effective communication between internal auditors and auditees, internal auditors and organization members, and internal auditors themselves (Endaya&Hanefah, 2013). Effective communication skill is a need for internal auditors and internal audit effectiveness since this study examined such a skill through communication theory.

2.2.3 International Internal Auditing Standards

The Institute of Internal Auditors (IIA) is the globally recognized body that creates global internal audit standards and, following a rigorous written exam, awards the certification of Certified Internal Auditor to people all over the world. There are other classifications available in some countries. The professional standards of the Institute of Internal Auditors have been incorporated in several US states' statutes that regulate the practice of internal auditing in government (New York State, Texas, and Florida are just three examples) (IIA, 2013)

These standards apply to all forms of internal audits. The principles-focused standards provide a framework 11 for carrying out and encouraging internal audits. According to (Cohen and Sayag, 2010), the standards are mandatory requirements that comprise basic criteria for properly performing internal audits and evaluating their effectiveness. Internationally, the requirements apply to both individuals and organizations.

2.2.4 Internal Audit in Practice

According to Gramling (2004), the practical aspects of internal auditing include giving internal audit a strategic role, defining the work, making arrangements (co-sourcing, out-sourcing), changing the function, laying out the requirements for using audit committees, helping to put ideas into action, and improving audit quality, efficiency, and cost-effectiveness.

Internal auditing plays a major role within organizations, consists several key functions that enhance operational effectiveness and governance. One significant aspect is the role of internal auditors in maintaining organizational independence. While internal auditors are employed by the companies they audit, the principles of independence and objectivity are emphasized in the professional standards set by the Institute of Internal Auditors (IIA) (IIA, 2012). To uphold these principles, internal auditors must remain impartial regarding the business activities they review.

The organizational structure of the internal audit department is designed to foster this independence, allowing internal auditors to report functionally to the board of directors, typically through an audit committee, rather than to management. This essential separation from management enables auditors to conduct unrestricted examinations of operations and personnel, thus enhancing their effectiveness (Gramling, 2004).

Another important role of internal auditing is the evaluation of internal controls. According to the COSO Framework, internal control is defined as a process implemented by an organization's board of directors, management, and employees to provide reasonable assurance regarding the achievement of key objectives, such as asset protection, compliance with legal requirements, operational efficiency, and reliability of financial reporting. Internal auditors assess the adequacy and effectiveness of these controls, ensuring that the organization can meet its strategic goals and operate within the bounds of regulatory frameworks.

In addition to evaluating internal controls, internal auditing is integral to risk management. Professional standards dictate that auditors assess the effectiveness of an organization's risk management initiatives, which consist of identifying, evaluating, and mitigating strategic risks that could hinder the achievement of business objectives. This includes areas such as incentive payouts, credit management, budgeting, and compliance with the Sarbanes-Oxley regulations, which mandate comprehensive evaluations of financial reporting practices. Internal auditors can examine risk management processes on both an individual and an organizational level, providing valuable insights into risk exposure and management effectiveness (IIA, 2012).

Lastly, the role of internal auditing in corporate governance is important for ensuring that an organization's policies and practices align with its objectives and ethical standards. Internal auditors often serve as an advisory body, bringing control-related issues to the attention of senior management. In situations where governance challenges arise, such as allegations of financial misconduct, internal auditors may adopt a more formal oversight role to address these concerns appropriately (Gramling, 2004). By fulfilling these roles, internal auditors contribute significantly to the overall governance framework of the organization, promoting accountability and ethical conduct. Helping the Audit Committee of the Board of Directors effectively carry out its tasks is one of internal auditing's primary areas of focus when it comes to corporate governance. This may mean proposing proposals for meeting agenda items, working with management and the external auditor to ensure the audit committee has access to the appropriate information, and warning management of significant issues with management controls.

In recent years, the IIA has advocated for a more rigorous evaluation of corporate governance, particularly with regard to board supervision of enterprise risk, corporate ethics, and fraud (IIA, 2009; 2012).

2.2.5 Reports in internal audit

Technology plays a major role in enhancing the objectivity and accuracy of audit findings through various advancements. One of the most significant contributions comes from data analytics tools, which enable auditors to analyze vast amounts of data rapidly. These tools help

identify trends, anomalies, and patterns that may not be evident through traditional manual review processes. By employing a data-driven approach, auditors can make more informed and objective assessments, reducing the reliance on subjective judgment. The use of data analytics not only increases efficiency but also improves the overall quality of the audit findings (Kokina & Davenport, 2017).

Automation is another critical technological advancement that enhances objectivity and accuracy in audits. By automating repetitive tasks such as data entry and document review, organizations can minimize the risk of human error, which often leads to inaccuracies in audit results. Automation ensures that processes are executed consistently, allowing auditors to focus on higher-level analytical tasks rather than mundane activities. This shift not only increases productivity but also enhances the reliability of findings, as automated systems apply consistent standards and logic across all audit activities (KPMG, 2003).

Continuous monitoring facilitated by technology further improves audit effectiveness. With real time access to financial transactions and internal controls, auditors can detect issues as they arise, making their findings timelier and more relevant. This proactive approach allows organizations to address potential problems before they escalate, ultimately enhancing compliance and operational efficiency. By integrating continuous auditing practices, firms can maintain a dynamic view of their risk landscape, providing a more comprehensive assessment of their financial health and internal controls (Badara & Saidin, 2012).

The integration of machine learning and artificial intelligence (AI) also plays a crucial role in augmenting audit processes. These technologies can analyze historical data to identify risk patterns and predict future outcomes, enabling auditors to focus their efforts on high-risk areas that warrant closer examination. Moreover, the use of blockchain technology provides a secure and transparent method for recording transactions, allowing auditors to verify data authenticity in real time. This reduces the risk of fraud and enhances the credibility of financial reporting. Together, these innovations create a more robust audit environment, ensuring that findings are not only accurate but also grounded in objective analysis. (Betti & Sarens, 2021).

2.2.6 The Importance of Auditing

Auditing involves examining information prepared by someone else to determine if it is presented fairly. Everyone audits their personal life to some degree. One may argue that the purpose of auditing is to give the financial statements more legitimacy. Management is in charge of the financial statements, and the auditor's job is to give them legitimacy. The auditor adds value and utility to the financial statements through the audit process, but he also lends credibility to other non-audited data that management releases. The process of looking into information that has been prepared by someone else to see if it is stated properly is called auditing. As a business owner, you have accountability for the data that you submit in your financial records and are subject to an audit. As an auditor, you should look into the claims stated in the financial statements to make sure you believe what the business is stating about itself. The roles that auditing plays inside the company also serve to highlight its significance (Bethlehem, F, 2009),

Bethlehem, (2009), listed numerous aspects of internal auditing functions, including the following: In an effort to guarantee that the accounting system and internal control systems are adequate, make sure the systems are appropriate for the facility, and suggest system improvements, the internal control systems and arithmetic evaluations are used, evaluating plans and processes to identify flaws or weaknesses in the company's systems and practices, provide necessary improvement and modification suggestions, and give the internal auditor permission to investigate establishment activity-related topics, Considering that employees are committed to the company's policies and procedures, internal auditors are required to oversee their implementation and provide employees with clarification and In an effort to ensure that the institution protects assets and funds against manipulation and fraud, to detect fraud, and to reduce losses resulting from neglect or misuse (e.g., loss of adequate storage), safeguarding established funds is being done through the development and implementation of systems.

2.2.7 Internal Audit Effectiveness

The effectiveness of an audit is largely dependent on the internal audit department's capacity to provide insightful findings and recommendations. Internal audit must establish a reputation for

itself within the company and show that it is valued. Internal audit should continuously advance its benefit and evaluate how it is being carried out. The degree of personnel expertise, the range of services provided, and the extent to which evaluations are properly planned, carried out, and communicated can all affect the quality of the reviews. (Sawyer, 2013).

According to this definition, internal audit has seen a shift in perspective from a focus on accountability in the past to making progress in the future to help audits operate more effectively and efficiently. Since the definition benefits both the public and private sectors equally, it serves as the foundation for this study's analysis of the efficacy of internal auditing in the public sector. According to this definition, internal audit has experienced a paradigm shift away from focusing on past accountability and toward enhancing future results to support audited organizations' more effective and efficient operations. Since the definition benefits both the public and private sectors equally, it serves as the foundation for this study's analysis of the efficacy of internal audits in the public sector. (Sayage, 2016).

Depending on the individual, audit effectiveness might signify many things. A successful audit produces financial statements that give a true and fair picture as well as suggestions for how the business's procedures should be strengthened. An efficient project that was finished on time and with little interference for the business. The accomplishment of goals and objectives through the use of the various measures offered for assessing such accomplishment is what is meant by effectiveness. Effectiveness in internal auditing, however, has historically been achieved by assessing the caliber of the internal auditing process. Institution of internal audit IIA (2013) defined internal audit effectiveness as the degree (including quality) to which established objectives are achieved

While Marika. A, (2013) provide its own definition that aligns with the internal auditor's capacity to prevent and address defects. Ultimately, they defined internal audit effectiveness as the quantity and extent of deficiencies fixed after the auditing process. Accordingly, it is evident from the definitions of effectiveness and audit effectiveness that audit effectiveness and internal audit effectiveness mean the same thing as they all have the same main goal, which is the capacity to accomplish predetermined objectives.

Effective internal audit system helps in achieving performance, profitability and prevent in loss of revenue particularly in public sector. Even through (Sayage, 2016) observed that efficiency of auditing at a government agency. It's intriguing that auditors' activities, duties, professional practices, and responsibilities as well as their strong dedication to audit standards, goals, objectives, policies, and procedures lead to audit effectiveness. Also, Institute of internal audit (IIA, 2013) defined internal audit effectiveness as the degree (including quality) to which established Objective is achieved.

Badara & Saidin (2014) demonstrates that highly experienced auditors outperform those with less experience because they are better able to absorb information, compare potential solutions for auditing results, and take appropriate action. Badara & Saidin (2014) mentioned that an auditor's experience is a great indicator of their knowledge because not everyone has the same amount of information. Numerous studies indicate that internal auditors' expertise in public sector organizations is crucial since it helps the inspected organization.

2.3 Empirical Evidence on Internal Auditing

2.3.1 other Countries experience in audit

The core issue is how an efficient internal auditor can resolve the conflict between collaborating with management to raise performance and keeping a safe enough distance to report on management's actions. The study discovered three characteristics that best characterized individuals who balanced their roles: the external professional standing of the internal auditor, the existence of both official and informal networks of contact, and the internal auditor's participation in defining their own function. According to Peurseem (2004) a great deal of research on the function and authority of internal auditors has been conducted in New Zealand. Internal auditors were questioned on the necessity of the tasks they carry out in connection with audit engagements, as well as how they perceive their degree of professional authority and independence from management. The study involved auditors from New Zealand who were all members of the IIA's New Zealand division. For both the initial and follow-up questionnaires, a

relatively high percentage of responses (73%) were obtained. The study discovered that there are qualities of a real "profession" even though they are not predominant.

Badara & Saidin (2014) studied the effects of internal audit control functions on internal auditor risk assessment in the context of the mentioned companies. This study was qualitative and included a variety of case-based techniques. Six companies were visited by the researcher, who also reviewed documents and conducted interviews with top internal auditors. Despite the fact that it ignores the capabilities of audit departments, he concluded that corporations shouldn't give up on internal control. This is because it isn't always pertinent to the external auditor and, as a management tool, it should assist management in its day-to-day operations. This could be explained by the probability that factors other than internal control strength is taken into account by external auditors. However, other evidence suggested that the internal control system was the most important component in obtaining audit proof. Lastly, he suggested that other risk indicators be taken into account while still taking the effectiveness of internal control into account, once the auditor has established the effectiveness of the audit department. These ideas are based on the auditor's ability to manage uncertainty.

In his research, Mawanda (2008) found a strong correlation between financial performance and the internal control system. The inquiry suggests that the Internal Audit department conduct competence profiling, which should be predicated on the tasks that the University wants the internal audit to accomplish and the proper staffing level needed to carry them out.

According to Mutua (2012), argues that in order to help firms identify risks early on and concentrate on high-risk areas, which will boost transparency and accountability while also increasing financial performance, risk-based auditing should be strengthened through internal auditing standards and staffing. This proved that there is a connection between internal audit and financial performance

Internal Auditing Effectiveness Success Model: A Study on Jordanian Industrial Firms was researched by AL shbiel in April 2017. This study was examining the factors that affect internal auditor performance, especially in industrial firms, is the main objective of this study. Five theories were created after a careful analysis of previous studies. 350 useful questionnaires were distributed to selected internal auditors in Jordanian industrial SMEs in order to gather the data. The data are the outcomes of different tests. They include factor analysis, discriminatory validity, and hypothesis testing. The results demonstrate that organizational elements significantly influence the effectiveness of internal auditors. The results of this study showed a strong relationship between the effectiveness of Internal Audit (IA) and the following factors: independence of internal audit, top management support, competence of the internal audit team, and IA effectiveness.

This study defines the factors that support or impede internal auditor effectiveness and contributes to the body of knowledge about internal auditor effectiveness in a novel context. This paper provides the proposed theoretical framework, so bridging a gap in the literature. The framework evaluates how well internal auditors are able to assess the relationships among the various organizational components.

Njoroge (2016) conducted a study to investigate the factors influencing the internal audit performance of Kenyan government departments. The study set out to achieve the following objectives: to determine how internal auditors' working environments in government ministries affect their performance; to assess how internal ministry barriers to their independence affect their performance; and to assess how technical competency affects their performance. The study found that internal auditors' working environments had an impact on the internal audit function's performance, which is also influenced by the existence of a clear responsibility structure linked to predetermined targets, flexibility in the internal audit work approach, increased exposure for internal audit staff through participation in professional conferences and exchange programs, support for professional training, and a clear system for recognition and reward. The study also showed that the performance of the internal audit function is influenced by professional conferences and exchange programs, professional training, and having a clear accountability structure linked to predetermined goals, flexibility in how internal audit work is approached, and

better exposure for internal audit staff through attendance at internal audit functions. he concluded that the effectiveness of the internal audit function is influenced by the technical competence of internal auditors, and that audit staff members need to be knowledgeable about risk profiling, financial analysis tools and techniques, performance measurement principles, ICT and tech-based audit techniques, and organizational objectives in general as they relate to the goals of the internal audit function. finally, he recommended that the ministries keep hosting training seminars and workshops for internal auditors and that the heads of internal audit departments report to the audit committees, which have the authority to ensure that the broad audit objectives are met and to promote independence. In order to reinforce their vital role in the development of effective public financial management systems in Kenya, the report further encourages the internal audit function to make use of the most modern internal audit software and stay updated on changes to internal audit frameworks.

Two factors could compromise the independence of internal auditing. Internal auditors must be independent of one another after internal auditing services are independent of the organization (Goodwin-Stewart, 2001). Organizational independence can be demonstrated through the connection between the audit committee and internal audit operations. Although internal auditors' individual independence is centered on the objectivity and independence of their employees inside the IA department, they also take into account the use of IA operations as a means of supporting upper management (Goodwin-Stewart, 2001). This viewpoint states that disclosing IA efforts to higher organizational entities is one way to gain organizational independence. Individual independence may be satisfied by staff impartiality, unbiasedness, and the avoidance of conflicts of interest.

A study on the influence of the auditor's internal controls view on loan decisions was done by Schneider and Church (2008). They came to the conclusion that a subpar opinion on internal controls could compromise the confidence provided by an unqualified opinion on the financial statements taken as a whole and have a detrimental effect on lenders' assessments. Lenders become less confident that financial statements are presented truthfully and in compliance with

generally accepted accounting principles when there is an unfavorable internal control opinion. As a result, the balance sheet and income statement are given less weight when making lending choices. According to study on competency concerns done by the American Accounting Association, internal auditors should only take on activities for which they are qualified, experienced, and have the requisite training. They should also strive to continuously enhance their performance and fulfill their responsibilities in compliance with the requirements.

A good internal audit service can have a big impact on an organization's financial performance by helping to maximize exposure to potential losses from inadequately safeguarded firm assets, save costs, and uncover methods to boost efficiency. An internal audit is an essential management tool for improving performance, he continued. According to Fadzil et al. (2005), internal auditors help a company run more profitably and effectively, which increases shareholder value. Lastly, Dittenhofer M (2001) proposed a correlation between the existence of an effective internal audit function and higher organizational performance.

Some of the empirical studies relatedg to the purpose of this study explained briefly as follows. The impact of internal auditing procedures on financial management was examined by Desmond et al. (2018). According to 58.8% of the respondents, the study's findings showed that internal auditors' financial performance in relation to the university's required guidance is excellent. The university's internal auditors possess the necessary training and expertise to affect financial performance. Furthermore, it was determined that management support and the independence of the internal audit function were important factors influencing the university's financial success. The university's internal audit is now dealing with issues such a shortage of office space, staff, and accommodations. Lastly, it has been determined that management's execution of the internal audit's suggestion is ineffective. The study came to the conclusion that in order to affect financial performance, appropriate internal auditing procedures are required. The potential for improving financial performance is limited by the difficulties with internal auditing procedures. It is advised that rather than strengthening the current faculty, the university's management concentrate on hiring internal auditors for the various faculties. Nansamba (2019) studied on the effect of

internal audit on financial performance of commercial banks in Uganda; a case study of the Stanbic Bank branch in Kansanga. A unit increase in internal audit standards would result in an increase in commercial banks' financial performance, a unit increase in internal audit independence would result in an increase in commercial banks' financial performance, a unit increase in professional competency would result in an increase in commercial banks' financial performance, and a further unit increase in internal control would result in an increase in commercial banks' financial performance, according to the study, which found a positive relationship between internal audit standards, independence of internal audit, professional competency, and internal control and financial performance.

2.3.2 The audit Experience of Ethiopia

Omer Ahmed (2020) in his research “assessment of internal audit practice in commercial banks in Ethiopia: the case of united bank S.C” revealed that the internal Audit process should have appropriate program for training developing the internal auditors, giving an opportunity for continuing education and certification. Additionally, the internal audit process should consider the correction of the audit findings. The audit findings should be corrected, and corrective action agreements should be made with the management to conduct effective audit work in the bank.

A study conducted on determinants of internal audit effectiveness in Gurage zone local administration by Ayitenew (2018) using primary data through random sampling concluded that the quality of audit work, auditor’s independence, auditor’s professional proficiency and organizational setting have significant 17 impact on the effectiveness of internal audit. He argued that the scope of the audit work was insignificant for the effectiveness of the internal audit.

Yewubnesh (2018) conducted research on “Determinants of Internal Audit Quality of Economy Budgetary Public Sectors in Ethiopia” using purposive sampling and questionnaires and interview, she concluded that experience of internal auditors, and Independence of internal audit and training were strong and statistically significant effect on the quality of internal audit in budgetary public sectors in Ethiopia.

Research conducted by Arefayne (2019) on the factors affecting internal audit effectiveness in the case of Ethiopian Insurance companies using both primary and secondary questions, argued independence of IA is the sole factor determining effectiveness of internal audit in Ethiopian

insurance companies. The researcher mainly recommended; the country's financial regulatory organ (i.e National bank of Ethiopia) should work more on the ways of ensuring the organizational independence of internal auditors and should have to develop transparent and well-organized approaches. According to his study, competence of IA teams, quality of IA were strong but not significantly effect on the effectiveness of internal audit regarding value adding role, enhance department performance, and enhance organizational performance. Aytenew 26 (2018) on the other hand argued quality of audit work and auditor's professional proficiency were significant factors affecting effectiveness of internal audit.

Mekdes.F (2021) studied the effects of internal audit practice on organizational performance; the case of Ethiopian shipping & logistic service enterprise (ESLSE). Internal control, corporate governance, risk management, and organizational management support all have a favorable impact on internal audit effectiveness. Furthermore, the results of the study demonstrated that the company's organizational performance is directly impacted by the efficacy of internal audit. According to the study's analysis, ESLSE's organizational performance was strongly and favorably correlated with internal audit independence, professional competency, internal audit standards, and internal control. In order to enhance organizational performance, the study concluded by recommending that management at ESLSE implement efficient internal auditing procedures, including internal auditing standards, internal audit independence, professional competency, and internal controls.

Negasi G/Aregawi (2019) in his study "Determinant of effectiveness of internal audit in Commercial Banks of Ethiopia: The case study of Wegagen Bank Share Company" revealed that internal auditors of the bank have knowledge gap on technology-based audit and identification of indicators of fraud techniques. Therefore, the researcher recommends that the bank should provide sufficient training on technology based and fraud investigation audit techniques. The study result shows that the support providing by senior management to internal audit of the bank is not sufficient enough and the researcher advised senior management of the bank to provide the required assistance and support to the internal audit department by recruitment of sufficient and quality internal auditors and providing attractive salary and benefit packages.

An effective internal auditor is one who carried out his responsibilities with success and efficiency and assisted any public business in putting good governance procedures into place

Belay (2007). He went on to argue that credibility issues make it challenging for internal auditors to fulfill their duties in advancing openness, accountability, and good governance.

Internal Audit Practices: A Case of Ethiopian Governmental Higher Educational Institutions was the subject of research by Bethlehem (2009). The study concludes that planning is pointless without implementation, oversight, and feedback loops. Forty-three percent of the respondents said that the internal audit strategy for this year has been satisfactorily completed. And they have a lot riding on them to improve the value of their audit strategy by effectively accomplishing the goals by allocating sufficient and pertinent resources. Finally, reengineering critical business processes depends on internal auditors having a solid understanding of systems and controls. In order to improve internal auditors' competency, she recommended that they pursue continual professional development. The executive management should establish an internal audit role to assist risk management, corporate governance, and internal control at each university by investigating, evaluating, and reporting to management on its effectiveness. The aim of the internal audit activity will be achieved if management simply follows the findings and suggestions.

Internal Audit: Reporting Relationship in Ethiopian Public Enterprises was the subject of research by Samuel (2008). He found that when it comes to assessing internal control, looking into fraud, and verifying financial transactions (financial audit), Ethiopian public companies' internal audit scope is more limited. Put another way, the internal auditors of Ethiopian public companies prioritize accounting and financial issues over problem-solving. A poor or ambiguous reporting structure jeopardizes the independence of internal auditors, and when that independence is weakened, the audit work is rendered useless. Independence is a controversial problem for auditors, particularly for internal auditors who must maintain their independence while working for the company. In this complex situation interaction, vague reporting exacerbates the issue. He recommended increasing the number and quality of internal audit staffs in public companies in his concluding remarks. To raise the caliber of internal audit services, significant funds should be set aside and professional training sessions should be planned. Internal auditors should also maintain and grow their profession, as well as work together nationally.

Research on the growth of internal auditing in Ethiopia: the contribution of institutional standards was done by Mihret et al. in 2012. This study examines how internal audit practices are shaped by institutional norms and how institutional changes can explain the evolution of these practices. The authors employed a qualitative research methodology that drew information from historical sources and interviews. The study's outcomes imply that the adoption of internal audit in Ethiopian enterprises and the attributes of the function can be explained by institutional norms founded on legislation. In addition, creative internal audit process implementation originates in some companies and spreads through time to become institutionalized. These advances pertain to exogenous input from the external environment, senior management attributes, organizational scale, and technical advancements in internal audit. Even though they are regarded as institutional norms, frequently utilized internal audit processes are not always taken for granted at the level of specific firms. This research theorizes institutional transformation as a factor in the expansion of internal audit procedures. As the first study to do so, they conclude by introducing and disseminating new audit practices as the traditional ones are deinstitutionalized, thereby advancing our understanding of the key drivers of institutional change that initiate new institutional norms and support the growth of internal audit.

2.3.3 Internal audit independence

Auditor independence refers to the concept that auditors must be free from any bias, conflict of interest, or undue influence that could compromise their ability to provide objective and unbiased opinions on the financial statements of an organization. The independence of Auditors is essential to maintain the integrity and credibility of the auditing process and to ensure the accuracy and reliability of financial reporting (Moore et al., 2006)

Auditing can be traced back to ancient civilization, where trade and commerce activity created a need for some form of verification and assurance in performing an audit, an auditor has to remain impartial and objective, free from conflicts of interest and bias. (Frazer, 2020). The auditor's independence is emphasized primarily because it prevents conflict of interest and ensures clear judgment Decisions, by not exerting undue pressure or influence on the audit being

conducted. When auditors are not independent, there is a high risk of potential errors, omissions, or even fraud in the financial statement.

The paramountcy of the auditor's independence is due to its capability to prevent the emergence of conflicts of interest and ensure unbiased and transparent judgments, with no undue pressure or omissions, or fraudulent activities, which may lead to distorted financial statements, is considerably high. Therefore, the independence of auditors is a critical factor in ensuring the reliability and integrity of financial reporting. Auditor independence is a crucial factor to consider when seeking to bolster the credibility and effectiveness of auditing. As such, there exists a pressing need to enhance auditor independence through the adoption of stringent independence rules and the provision of guidance to auditors on how to maintain independence. This is in line with the recommendations made by Kamau et al. (2023), who underscore the importance of strengthening auditor independence as a means of improving the overall quality of auditing services influence on the audit.

2.3.4 Management support to the internal audit.

Management support is management's commitment to support internal audit in carrying out audits and top management's awareness regarding the needs of internal auditors (Seif, 2017). According to Mihret and Yismau (2007), management support has dimensions: (1) Responses to audit findings, (2) Commitment to strengthening internal audit. Based on the above definition, it can be concluded that management support for the internal audit function includes support in providing resources (human, equipment / technology, budget), responses to audit findings, and commitment to strengthen the internal audit. management support is defined as a very important element in development of skills in organizations.

Management support is an important application for newly acquired skills. Management support is very important for operations and internal audit, because all the determinants of internal audit effectiveness come from top management support, bearing in mind that hiring a proficient internal audit person, developing an internal audit person's career and providing an

independent opinion for an internal audit person are the result of decisions made by top management and management support not only on implementing audit recommendations, but also on funding, training, and support for audit implementation for example hiring outside experts (Cohen and Sayag, 2010)

2.3.5 The effect of internal audit quality

Internal audit quality refers to the effectiveness and dependability of an organization's internal audit function. It evaluates the effectiveness of internal audits and makes sure they adhere to the requirements and standards established by the company and government agencies. Reviewing and assessing a company's procedures and processes to make sure the system complies with quality standards is known as internal audit quality.

Internal audit quality is a significant tool for any business looking to evaluate its quality process, compare performance to outside benchmarks, and identify areas where the organization needs to improve or modify. Activities including staff expertise, efficient audit planning, effective communication, fieldwork, and controlling are all part of internal audit quality (Cohen & Sayag, 2010).

2.3.6 Auditor risk evaluation practice

auditor risk evaluation practice refers to the process by which internal auditors identify and assess risks that could impact an organization's performance. This practice is important as it links internal audits to key performance indicators, helping to determine how effectively audits can influence efficiency, effectiveness, and compliance. Internal auditors evaluate risks associated with operational processes, financial reporting, and regulatory compliance, which are essential for achieving organizational goals. By identifying high-risk areas, auditors can recommend controls and processes that enhance performance. According to D 'Onza et al (2015) When the internal audit function can evaluate and enhance risk evaluation by using a methodical and disciplined methodology, internal audit effectiveness rises. Their effectiveness is increased by their growing role in risk management with managerial support. Auditor risk evaluation practice

in banks refers to the systematic process through which auditors assess and analyze the various risks associated with a bank's operations, particularly in relation to lending activities.

This practice involves identifying potential risks such as credit risk, operational risk, compliance risk, and reputational risk. Auditors evaluate the effectiveness of internal controls and risk management strategies to determine how well the bank mitigates these risks. By examining loan portfolios for creditworthiness and adherence to regulatory standards, auditors can identify vulnerabilities that may affect the bank's financial health. Additionally, the practice emphasizes the importance of transparency and ethical conduct, as reputational risks can significantly impact stakeholder trust. Ultimately, auditor risk evaluation provides critical insights that help banks enhance their operational efficiency, ensure compliance with regulations, and maintain a stable financial environment D 'Onza et al (2015).

The organization should have a well-established risk management system in place for the internal audit function to accomplish its aims. Thus, management's assistance in carrying out their risk management responsibilities can support the efficacy of internal audits Badara and Saidin (2012).

2.3.7 Organizational performance

Numerous studies, including those on accounting and management, have found that organizational performance is both one of the most important and useful variables. (Richard, Devinney, Yip, & Johnson, 2009). When an organization's anticipated outputs are compared to the results of its operations, the resultant measurement is known as organizational performance. An organization's success can be measured by taking into account many aspects such as internal procedures, financial perspective, stakeholder perspective, learning, and growth Mekdes,F (2021).). The goal of internal audit is to assist organizations in achieving their objectives. An additional method of evaluating the efficacy of internal audit is to look at the positive correlation that exists between organizational performance and the degree of internal audit compliance with internal auditors' professional practice standards. (Getie,2010).

An effective internal audit is anticipated to help firms achieve their goals since it is a complicated process with numerous components, including long-term planning, organization, development, monitoring, verification, confirmation, analysis, reporting, and follow-up. (Dittenhofer,2001).

Investors are educated about "investors' pursuit of surplus value" from capital and the function of control mechanisms intended to guarantee this outcome through the Industrial Capital Circuit. The idea clarifies internal audit's function in organizations as both a value-added future service and a compliance-based control tool. Marx's theory (1978).

The efficacy of internal audit is measured by the rise in the rate of return on capital, which is a measure of how well reports are produced. Internal audit can also be beneficial to public sector organization (Getie,2010). No matter how big or what kind of services an organization offers, internal audit is now a necessary part of management that allows for advice on the economy, efficacy, and efficiency of any new project. In contrast, internal audit now outperforms most other administrative services. Furthermore, internal audit has grown in significance as a part of any organization's corporate performance framework, which also includes the board of directors' and audit committees' control actions to ensure the accuracy of financial reporting. This is demonstrated by the necessity of internal audits in the implementation of accounting systems. It is also evident that the internal audit helps the organization accomplish its goals and put its strategy into practice. (Babatunde,2019).

2.4 Conceptual framework

The study discusses on effect of internal audit on organizational performance. This study aim to investigate the relationship between the independent variables (Independency of audit staff, internal audit quality, management support and auditor risk evaluation practice) and the dependent variable (organizational performance), through achieving the study objectives by reviewing the prior literature to reach a convincing solution to the research questions. Figure 1 presents the conceptual framework, which shows that there is a direct relationship between internal audit functions (Independency of audit staff, internal audit quality, management support and auditor risk evaluation practice) and organizational performance.

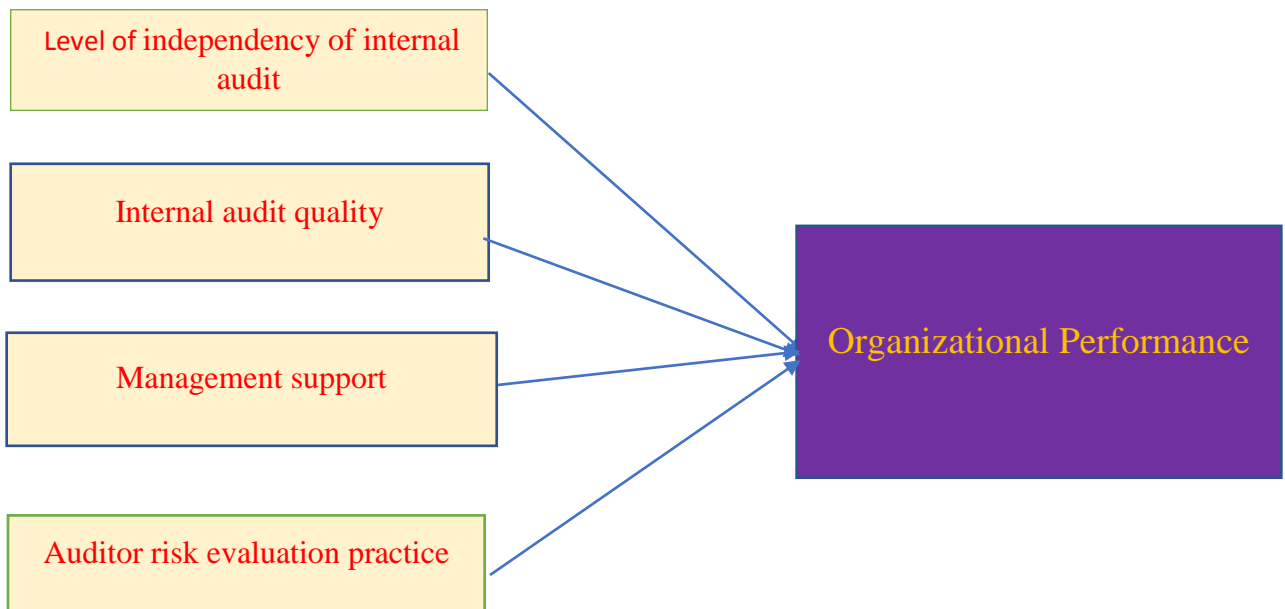


Figure 1: Conceptual framework (source; modified from Badara & Saidin, 2014; Alshbiel, 2017)

CHAPTER THREE

3. RESEARCH METHODOLOGY

3.1 Introduction

This chapter present an overview of the methodological considerations and assumptions that underlie the research process. It describes the methods and procedures employed by the researcher to achieve the research objectives. The chapter covers the research approach used in the study, study area, research design, research approach, population of the study, types and source of data, Method of data collection, Questionnaire Design, method of data presentation analysis and Validity and Reliability of Research Tools.

3.2 Study Area

The study held in Nib International Bank here in Addis Ababa mainly at the head office level and Addis Ababa Districts.

3.3 Research Design

The structure of the research problem and the investigational strategy employed to gather empirical data on the problem's relationships are both expressed in the research design. A descriptive study design is a scientific approach that entails monitoring and characterizing a subject's behavior without exerting any kind of influence on it. (Kothari, 2004).

In this study the researcher uses Explanatory and Descriptive research design. The descriptive type of study is used to obtain information concerning the impact of internal audit on organizational performance and this consist four independent variables: internal audit quality, management support, level of independency of auditor and auditor risk evaluation practice. similarly, the researcher is used explanatory research design to explain the various variable which indicate internal audit effectiveness on organizational performance in the study area.

3.4 Research Approach

This study employed a quantitative approach to gather numerical data and measure the cause-effect relationship between internal audit and organizational performance. A structured questionnaire was used as the primary data collection tool because it allowed the researchers to obtain consistent responses.

3.5 Population of the study

According to data obtained from the Human Resource Department of Nib International Bank in May 2024, the Head Office audit department currently employs over 25 individuals, while the finance department consists of 27 staff members and risk and compliance department are around 14. Additionally, there are approximately 16 internal auditors distributed across various districts in Addis Ababa. This brings the total workforce involved in the study to 82 individuals, including the finance personnel, risk and compliance department, internal audit department, team leaders and management.

The study aims to gather views from auditors, risk and compliance officers and some finance staffs who are directly engaged in the auditing process within the organization. This approach ensures that the research collects information from experts who possess a thorough understanding of their roles and responsibilities, as well as the intricacies of the banking audit environment. By including all listed department, the researcher aims to gather comprehensive primary data that reflects the experiences, challenges, and perspectives of those actively involved in the field. This detailed information is important for achieving the study's objectives and providing valuable view to the effectiveness of the internal audit processes within the bank.

3.6 Types and Source of Data

The data needs for the accomplishment of this study collect from primary and secondary source. It collected from primary and secondary source of data using appropriate data collection techniques.

Source of both primary and secondary data are: -employees of the office have considered as the primary sources of data and Writing (formal) documents such as quarterly prepared reports, journals, manuals and other related materials collect as secondary source of data to support the research work.

3.7 Methods of data collection

This study used only questionnaires to collect primary data. The measurement items within the questionnaire were prepared based on the previous literatures (Badara & Saidin, 2014; AL shbiel, 2017). questionnaires utilized as a quick and reliable method for data collection. This approach allows for efficient gathering of information while ensuring that the sample reflects the diverse perspectives within the audit community.

For measurement, the study employs a 5-Point Likert Scale to assess various independent variables, including the level of internal audit independence, internal audit quality, management support and auditor risk evaluation practice along with organizational performance as the dependent variable. The scale ranges from 1 (Strongly Disagree) to 5 (Strongly Agree), providing a structured way to quantify respondents' opinions and experiences. This method facilitates understanding of the relationships between these variables, contributing to the overall objectives of the research.

3.8 Method of data presentation and analysis

In this study, descriptive statistics, including frequency, percentage, mean, and standard deviation to summarize and describe the characteristics of the collected data. In addition, to assess the relationships between variables and determine their relative significance, Pearson correlation analysis was conducted. A multiple linear regression model was used to examine the effect of independent variables, such as internal auditor independence, audit quality, management support, and risk evaluation practices on the dependent variable organizational performance. The model's validity was assessed using key diagnostic tests, including checking for multicollinearity through tolerance and variance inflation factor (VIF) values, testing data normality and evaluating the overall model fit with the coefficient of determination (R^2), and

testing the significance of individual predictors via t-tests and p-values. All statistical analyses were performed using SPSS software (version 26) to ensure a rigorous and comprehensive examination of the research questions.

The dependent variable of the study is organizational performance (OP) and independent variables are and level of auditor independence (LAI), Audit quality (AQ), Management support (MS), and auditor risk evaluation practice (AREP)

$$Op = 0.741 + 0.227(LAI) + 0.272(AQ) + 0.202(MS) + 0.212(AREP) + \epsilon$$

3.8.1 Study Variables and their measurements

The Level of Independence of Auditors refers to the extent to which internal auditors can perform their duties without undue influence or interference from management and other internal stakeholders. This independence is crucial for maintaining the integrity and effectiveness of the audit process, enabling auditors to provide objective assessments and recommendations. In this study, a Likert scale is utilized, with responses ranging from 1 (Strongly Disagree) to 5 (Strongly Agree). Items for the questionnaire were adopted from previous empirical (Badara & Saidin, 2014; ALshbiel, 2017), and respondents are asked to indicate their level of agreement by using six items of measurement, their ability to influence organizational decision-making, conduct audits and make a recommendation without management interference, experience frustration due to a lack of independence, ability on freely access any necessary documents, information and data about the Process under investigation, independence essentiality for effective auditing in the bank and their decisions on the scope, time and extent of auditing procedures based on auditing standards and the Bank's audit policy.

Internal audit quality is another important focus, defined as the process of reviewing and evaluating a company's procedures to ensure compliance with quality standards. This quality assessment is essential for organizations seeking to evaluate their procedures and compare performance against external benchmarks, helping to identify areas in need of improvement. Internal audit quality consists various activities, including staff expertise, effective audit

planning, communication, fieldwork, and control measures. The researcher measures this variable using a five-point Likert scale, where respondents indicate their level of agreement based on the statement of questionnaire which were adopted from previous empirical studies (Badara & Saidin, 2014; ALshbiel, 2017), and respondents are asked to indicate their level of agreement by using six items of statements, audit reports are clear, accurate, and well-documented. Audit findings and recommendations are relevant, practical, and based on sufficient evidence, procedures are conducted in accordance with established standards and methodologies, audit team demonstrates professionalism and ethical conduct during engagements, Audit work is completed within the agreed timeframe and scope, Audit results contribution to improvements in internal controls and risk management.

Management support is characterized by the commitment of top management to assist internal auditors in their work, reflecting an understanding of the auditors' needs. This support can manifest in various forms, including resource allocation such as providing tools, technology, and funding and responsive actions to audit findings. In this study, management support is measured using a Likert scale with responses ranging from 1 (Strongly Disagree) to 5 (Strongly Agree), allowing respondents to express their perceptions of the level of support provided by management and Items for the questionnaire were adopted from previous empirical (Badara & Saidin, 2014; ALshbiel, 2017), and respondents are asked to indicate their level of agreement by using six measurement items, Management actively supports the internal audit function and allocates sufficient resources to the internal audit department , Management participation in the development of the internal audit policy and plan, open communication between management and the internal audit team, There is a culture of accountability in the organization that supports internal auditing, Management fosters an environment where internal auditors can work independently, involvement of management in reviewing internal audit findings and provide responses to improve the organizations operational efficiency and risk management.

Auditor risk evaluation practice refers to the method by which internal auditors find and evaluate risks that potentially affect an organization's performance. This approach is important because it

establishes a connection between internal audits and key performance metrics, thereby assessing the extent to which audits might impact efficiency and compliance in the organization. In order to accomplish corporate objectives, internal auditors assess the risks related to financial reporting, operational procedures, and regulatory compliance. Auditors can suggest controls and procedures that improve performance by identifying high-risk areas. In this study, auditors risk evaluation practice is measured using a Likert scale with responses ranging from 1 (Strongly Disagree) to 5 (Strongly Agree), allowing respondents to express their level of perceptions on auditor risk evaluation practice and Items for the questionnaire were adopted from previous empirical (Badara & Saidin, 2014; ALshbiel, 2017), and respondents are asked to indicate their level of agreement by using six measurement items, taking timely action based on risk assessment findings, organization encourages a culture of risk awareness among employees, existence of well-defined risk management framework in the organization, organization regularly updates its risk evaluation practices based on new information or findings, existence of a clear process for escalating identified risks to senior management for further action, existence of strong culture of risk management that permeates the organization, influencing all levels of decision-making.

Organizational performance was measured by assessing how effectively the bank improved its operational processes through internal audit activities. In this study, organizational performance is measured using a Likert scale with responses ranging from 1 (Strongly Disagree) to 5 (Strongly Agree), Items for the questionnaire were adopted from previous empirical (Badara & Saidin, 2014; ALshbiel, 2017), Respondents rated their level of agreement with statements regarding the timely implementation of internal audit recommendations and their impact on enhancing the efficiency of bank operations. The measurement also focused on bank has a system in place to track the implementation status and impact of audit recommendations.

In addition, organizational performance measurement included evaluating the bank's risk management and compliance functions. Respondents provided their views on the effectiveness of identifying and assessing key risks facing the bank, as well as the monitoring of adherence to regulations and internal policies. These items reflected the internal audit's role in ensuring that the bank managed risks properly and complied with regulatory requirements, which are

important for sustaining long-term performance. All these measurement items offered a picture of how internal audit influenced organizational performance.

3.9 Measures for Reliability and Validity

3.9.1 Validity

In this study the quality of the questionnaire that was created to evaluate all areas appropriate to the research issue, in addition to the consistency of the results were guaranteed to the validity of the study findings. Verifying the accuracy of the data, the tools employed, and the professional judgment of colleagues, researchers, and seniors regarding the questionnaire's appearance, content, and structure. Consultations with these individuals provides the researcher with the chance to correct and enhance the instrument as well as assist in identifying errors.

3.9.2 Reliability

In This study reliability was demonstrated by a particular survey question that was pertinent to the investigation and produced same results when applied to other groups or samples. To assess the internal consistency of the research tool, the study employed Cronbach's alpha. which measured the average of measurable items and their correlation and for this study a reliability coefficient (Alpha value) of more than 0.7 was assumed to reflect acceptable reliability.

Table 1:Reliability Statistics of variables

Variable	Cronbach alpha	No. of Items
Level of Independence	.936	6
Audit quality	.734	6
Management support	.888	6
Auditor risk evaluation practice	.892	6
Organizational performance	.817	6
Overall	.831	30

Source: Own field survey, 2025

Reliability is the degree to which the measure of a construct is consistent or dependable. To measure the reliability of the questionnaire, the researcher applied a preliminary reliability test as indicated below in table.1 the value for Cronbach's Alpha (α) was 0.831 for all variables which exceed 0.70 a reliability coefficient Cronbach's Alpha exceeding 0.7 for any test or scale was an acceptable reliability coefficient. (Cohen & Sayag, 2010). Therefore, as we can see the (Cronbach's alpha) 0.831 indicates that the questionnaire administered in this study.

3.10 Ethical Consideration

In the course of this study, all requirements of the selected organization were properly adhered. all supporting documentation and scientific information were reviewed and taken into consideration. Before the data collection process started, all study participants received the proper information regarding the study's goal and their consent was obtained. Additionally, the researcher was informed the respondent that their response would only be used for the study. The researcher also gave assurances regarding their identities and those of their organizations.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

This chapter presents the analysis and discussions for the research findings obtained from the questionnaires. It reports the investigation results obtained from those were identified as target population of the bank working within various departments of Nib International Bank. The

responses were presented and analyzed to address the questions raised in the study and meet the objectives of the study on effect of internal audit on organizational performance of bank: The case study of Nib International Bank. Regarding the research topic, the study assessed respondents using a questionnaire of five (5) scale Likert scale score consisting of (strongly agree, agree, neutral, disagree, and strongly disagree) and the result of the respondent’s views and other relevant literature on the area were discussed below.

4.2 Response Rate

A total of 82 questionnaires were distributed to head office and four Addis Ababa districts Internal Audit Staffs (41), Finance Department staffs (27) and risk and compliance department (14) and in order to collect data for the research title “Effect of internal audit on organizational performance of bank: The case study of Nib International Bank.” Out of the questionnaires distributed, a total of 71 (86.6%) usable responses were obtained (Internal Audit Staff (37), Finance Department Employees (23), risk and compliance department (11) and 11 (13.4%) were not returned by the respondents.

4.3 Background Information of the Respondents

Table 2: Gender

		Gender of respondents			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	37	52.1	52.1	52.1
	Female	34	47.9	47.9	100.0
	Total	71	100.0	100.0	

Source: Source: Own field survey, 2025

Table 2 shows the gender distribution of the 71 respondents. Of these, 37 individuals (52.1%) were men, while 34 individuals (47.9%) were women. This indicates a fairly balanced representation of both genders among the participants, suggesting that the data collected reflects perspectives from a diverse group in terms of gender.

Table 3:Age

Age of respondents					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	21-30	18	25.4	25.4	25.4
	31-40	38	53.5	53.5	78.9
	41-50	15	21.1	21.1	100.0
	Total	71	100.0	100.0	

Source: Source: Own field survey, 2024

The above Table 3 shows that Out of the 71 Responses that were received, 18(25.4%) respondents are between 21 and 30, 38(53.5%) respondents are in the age between 31 and 40, and 15 (21.1%). respondents which are between 41 and 50. This shows that most respondents are mid-career professionals with relevant experience in banking and internal auditing. Their input is valuable for assessing the study’s objectives, as they are likely to understand how internal auditing affects bank performance, auditor independence, audit quality, management support for audit findings, and risk evaluation practices. The age mix strengthens the reliability of the findings by reflecting informed and practical perspectives.

Table 4:Marital Status

Marital status of respondents					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Single	24	33.8	33.8	33.8
	Married	47	66.2	66.2	100.0
	Total	71	100.0	100.0	

Source: Source: Own field survey, 2025

The above Table 4 shows that Out of the 71 responses that were received It was found that the majority of respondents 47(66.2%) were married, since the study wanted to establish the marital status of respondents in order to find whether it influence on work-related responsibilities, risk perception, and decision-making approaches mature insights regarding internal auditor independence, audit quality, and management support, all of which are relevant in internal auditing functions.

Table 5: Educational Background

Educational background of respondents					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	First Degree	32	45.1	45.1	45.1
	Master’s degree and above	39	54.9	54.9	100.0
	Total	71	100.0	100.0	

Source: Own field survey, 2025

The study wanted to establish the education level of respondents in order to find whether their perception differs according to their education level. It was found that the majority of respondentp39(54.9%) had a master’s degree and the rest 32(45.1%) respondents had a university degree as indicated in Table 5, This educational background significantly increases the reliability and depth of the responses, directly contributing to the achievement of the study's objectives. Respondents with advanced degrees are more likely to have a broad understanding of internal auditing principles, risk management, and organizational performance frameworks. Their views are particularly valuable in analyzing complex concepts such as auditor independence, audit quality, and management’s role in audit findings. In addition, higher education often correlates with higher positions in the organization, which means these respondents may be directly involved in the internal auditing process or in decision-making roles that affect audit implementation and response.

Table 6: Work Experience

		work experience of respondents			Cumulative
		Frequency	Percent	Valid Percent	Percent
Valid	Less than 5 years	7	9.9	9.9	9.9
	5-10 years	20	28.2	28.2	38.0
	10-15 years	30	42.3	42.3	80.3
	above 15 years	14	19.7	19.7	100.0
	Total	71	100.0	100.0	

Source: Own field survey, 2025

The study wanted to establish the working experience of respondents in order to find whether their perception differs according to their working experience. As indicated in table 6, the findings show that the respondents who worked less than 5 years were 7(9.9%) between 5-10 years were 20(28.2%), 10-15 years were 30(42.3%), and over 15 years were 14(19.7%). This implies that the majority of participants are professionals with substantial practical experience to internal audit processes and organizational operations. Experienced respondents are more likely to have depth knowledge of how internal auditing functions within banks, as well as the impact of auditor independence, audit quality, and management response to audit findings on organizational performance. Their expertise strengthens the credibility of the findings and ensures that the data collected reflects real-world practices and challenges.

In addition, those with over 10 years of experience are likely to have held senior or decision making roles, enabling them to provide informed perspectives on the organizational support for audits and the effectiveness of risk evaluation practices. Meanwhile, the inclusion of respondents with fewer years of experience adds balance by capturing newer trends, recent training on internal audit practices and new perspectives on internal audit practices.

4.4 Internal audit Practice of Nib Bank

Table 7: mean range value and category for the items

Range	Category
1.00–1.80	Very Low
1.81–2.60	Low
2.61–3.40	Moderate
3.41–4.20	High
4.21–5.00	Very High

Source: (Boone & Boone, 2012; Joshi & Pal 2015)

4.4.1 Level of internal audit independence

Table 8: Level of internal audit independence

Level of independency of internal audit	Mean	Std. Deviation
Internal audit staff contributes to organizational decision-making.	2.3239	1.06603
Internal audit staff has the ability to conduct audits and make recommendations without interference from management.	2.3662	.91401
Internal audit staff can perform their duties without limitations caused by lack of independence	2.4366	.99617

Internal Auditors can freely access any necessary documents, information and data about the Process under investigation.	2.3662	.83220
Internal audit independence is essential for effective auditing in the bank.	2.5634	.92168
The Internal Audit decides on the scope, time and extent of auditing procedures based on auditing standards and the Bank's audit policy.	2.6479	.86352
Valid N (listwise)		

Source: Own field survey, 2025

The independence of Auditors is essential to maintain the integrity and credibility of the auditing process and to ensure the accuracy and reliability of financial reporting, in performing an audit, an auditor has to remain impartial and objective, free from conflicts of interest and bias. (Cohen & Sayag, 2010). This section assesses respondents' perceptions on independence of IA staff as a factor influencing IA effectiveness.

As shown in Table 7 above, the mean scores range from 2.32 to 2.65, indicating a generally low to moderate level of perceived independence. Especially in the item "Internal audit staff contributes to organizational decision-making" recorded the lowest mean value 2.32, which indicate that internal auditors have limited involvement in shaping strategic or operational decisions. This lack of involvement could be a reflection of a larger organizational culture in which high-level governance procedures do not completely incorporate internal audit.

The ability of internal audit staff to conduct audits without management interference is mean 2.37 and to perform their duties without limitations or from lack of independence is scored 2.44, also have low rate. These findings indicate practical constraints may have influence on auditors from carrying out their responsibilities freely and objectively. Similarly, the item concerning auditors' access to necessary information and documents of the organization scored 2.37, result to restrictions that could compromise audit effectiveness and transparency.

On the other hand, Internal audit independence is essential for effective auditing in the bank scored 2.56, this result indicates that while respondents recognize the importance of independence, they may not see it fully implemented in their context finally the highest mean value 2.65 was recorded for the item related to internal audit's participation in deciding of the scope and timing of audit procedures. Although this score is still below the neutral midpoint, it reflects a relatively greater degree of perceived control over audit activities compared to other items.

4.4.2 Audit Quality

Table 9: Audit Quality

Audit quality	Mean	Std. Deviation
Internal audit reports are clear, accurate, and well-documented.	2.3239	.96769
Audit findings and recommendations are relevant, practical, and based on sufficient evidence.	2.1690	.91004
Audit procedures are conducted in accordance with established standards and methodologies.	2.3099	.88788
The audit team demonstrates professionalism and ethical conduct during engagements.	2.2676	.99940
Audit work is completed within the agreed timeframe and scope.	3.6197	.59441
Audit results contribute to improvements in internal controls and risk management.	3.4648	.80766
Valid N (listwise)		

Source: Own field survey, 2025

The term quality of IA work defines through the inner auditor's workspace and ability to fulfill their duty to provide important conclusions and recommendations. This examines assessed audit quality from the perspective of effective audit planning and oversight (Mihret & Yismaw, 2007; Mihret, 2011)

As shown above on Table 8, most respondents expressed a positive view of on the items of audit quality, particularly on the clarity, accuracy, and documentation of internal audit reports, which had a mean score of 2.32 and a standard deviation of 0.97. This result indicates that audit reports are considered to be well-prepared, although there is some variability in opinion. Even more positively regarded are the audit findings and recommendations, which scored the lowest mean of 2.17 with a standard deviation of 0.91. This result shows strong agreement that the findings are relevant, practical, and evidence-based, and the perception among respondents is consistent.

The result indicated that as Audit procedures are carried out in accordance with accepted standards and methodology, with a mean score of 2.31 and the lowest standard deviation of 0.89 among the top-rated indicators. This points to a generally favorable and uniform assessment of audit practices. Similarly, the professionalism and ethical conduct of audit teams received a mean score of 2.27 and a standard deviation of 0.99, reflecting a positive perception. areas of concern emerge in relation to the timeliness and scope of audit work. This item had the highest mean score of 3.62 and a low standard deviation of 0.59, suggesting a strong consensus that audit work often does not meet agreed timelines or scopes. This result implies weakness in audit execution and also in the perception that audit results contribute meaningfully to improvements in internal controls and risk management received a relatively high mean of 3.46 with a standard deviation of 0.81. This shown that, although audits are technically competent, their real influence on improving risk and control environments is limited.

4.4.3 Management support

Table 10:Management Support

Management support	Mean	Std. Deviation
Management actively supports the internal audit function and allocates sufficient resources to the internal audit department.	2.7465	.87372
There is open communication between management and the internal audit team.	2.4085	.68822
Management participates in the development of the internal audit policy and plan.	2.9155	.80616
There is a culture of accountability in the organization that supports internal auditing.	2.8028	.87210
Management fosters an environment where internal auditors can work independently.	2.46479	.875557
Management is involved in reviewing internal audit findings and provide responses to improve the organizations operational efficiency and risk management	2.2394	.83606
Valid N (listwise)		

Source: Own field survey, 2025

Management support for the audit is essential to IA's effectiveness. Due to the dynamic and cooperative nature of IA activities, internal auditors anticipate senior management's support. although internal auditors' independence within their work is essential to the efficient execution of audit work. (Tamene et al., 2014; Mihret & Yismaw, 2007; Mihret & Woldeyohannis, 2008). Thus, in order to improve the IA team's competency and independence and to ensure efficient work performance, top management assistance is also necessary.

As indicated above in Table 9, The highest mean score 2.92 was observed for the statement that management participates in the development of the internal audit policy and plan, implies that management shows a moderate level of involvement in strategic audit planning and Similarly, statements related to the presence of a culture of accountability mean results 2.80 and the

allocation of sufficient resources to the internal audit department results mean of 2.75 indicates that management demonstrate a fair degree of support in these areas, although the scores remain slightly below a neutral rating.

The lowest score is mean value of 2.24 this result was attributed to management's involvement in reviewing audit findings and providing actionable responses to improve organizational efficiency and risk management. This result implies a substantial gap in closing the loop on audit processes, which can undermine the effectiveness of the internal audit function. the item regarding to open communication between management and the internal audit team results a mean of 2.41 and the fostering of an environment by managers where auditors can work independently results a mean of 2.46 received low ratings. These results indicates that internal auditors may face challenges in maintaining objectivity and communicating freely with management, both of which are essential for effective auditing. the standard deviations, which range from 0.68 to 0.88, implies a moderate level of consistency in respondents' perception, with the highest variability observed in perceptions of auditor independence. This variability may indicate inconsistent experiences across different departments or roles within the organization.

4.4.4 Auditor risk evaluation practice

Table 11:. Auditor risk evaluation practice

Auditor risk evaluation practice	Mean	Std. Deviation
Management takes timely action based on risk assessment findings.	2.5775	.83942
The organization encourages a culture of risk awareness among employees.	2.9437	.90849
There is well-defined risk management framework in the organization	2.7606	.88584
The organization regularly updates its risk evaluation practices based on new information or findings.	2.6338	.77900

There is a clear process for escalating identified risks to senior management for further action.	2.3944	.83630
There is a strong culture of risk management that permeates the organization, influencing all levels of decision-making.	2.5775	.85627
Valid N (listwise)		

Source: Own field survey, 2025

Auditor risk evaluation practice refers to the process by which internal auditors identify and assess risks that could impact an organization's performance. This practice is important as it links internal audits to key performance indicators, helping to determine how effectively audits can influence efficiency, effectiveness, and compliance. According to D 'Onza et al (2015)

As indicated above in Table 10, the highest result mean score 2.94 was contributed to the statement that the organization support a culture of risk awareness among employees. This implies that, to some extent, employees are being sensitized to the importance of risk considerations in their daily responsibilities and the presence of a well-defined risk management framework results a moderately positive score mean of 2.76, implies that the structural items for managing risk may be in place, even if their effectiveness differs. other important aspects of risk evaluation practice appear to be weaker. For instance, management's timely action based on risk assessment findings and the presence of a strong culture of risk management both received relatively low mean scores of 2.58. This suggests that while risks may be identified, the responsiveness of management and the depth of risk integration into decision-making remain areas of concern.

Another item, the process for escalating identified risks to senior management had an even lower mean score of 2.39, showing a potential gap in communication and follow-through at higher organizational levels. The practice of regularly updating risk evaluations based on new information was also rated at 2.63, indicates that while updates may occur, they are not perceived as systematic or timely. The standard deviations, ranging from approximately 0.78 to 0.91,

implies moderate variability in responses, which could show varying in levels of risk management practice improvement on organization.

4.4.5 Organizational performance

Table 12: Organizational Performance

Organizational performance	Mean	Std. Deviation
Recommendations from internal audits are implemented promptly, leading to improved operational processes.	3.0563	.79079
The bank has a system in place to track the implementation status and impact of audit recommendations.	3.0845	.76991
The overall efficiency of bank operations is enhanced	3.0986	.70010
There is a continuous improvement in operational practices of the Bank	3.2254	.74060
There is effective assessment and identification of key risks facing the bank.	3.0845	.55411
Compliance with regulations and policies is effectively monitored.	3.2817	.56526
Valid N (listwise)		

Source: Own field survey, 2025

As shown on table 12, above results on organizational performance, measured through various internal audit-related measurements, show moderate to moderately high mean values, implies generally positive perceptions among respondents regarding the impact of internal auditing on bank performance.

The highest mean score was observed for the item, Compliance with regulations and policies is effectively monitored with a mean of 3.2817 and a relatively low standard deviation 0.56526, suggesting a consistent perception among respondents that regulatory compliance is well-managed in the bank. There is a continuous improvement in operational practices of the Bank, mean of 3.2254, SD of 0.74060, which reflects a moderately positive view on the bank's commitment to refining its operations over time.

Followed by Items such as, the overall efficiency of bank operations is enhanced, scores a mean value of 3.0986 and the bank has a system in place to track the implementation status and impact of audit recommendations, scored a mean value of 3.0845, also scored within the moderate range, indicating that while these systems and outcomes are in place, there was still be room for improvement to reach higher effectiveness levels.

Recommendations from internal audits are implemented promptly, received mean score of moderate range 3.0563, indicating some inconsistency in executing audit recommendations, the standard deviations across items range from approximately 0.55 to 0.79, indicating a moderate response, which could indicate variability in practices or perceptions across different departments or roles within the bank. Generally, the results implies that internal auditing practices contribute positively to organizational performance, particularly in areas of regulatory compliance and continuous improvement.

4.5 Relationship between Internal audit and organizational performance

Table 13:Correlation Analysis of the Factors Affecting organizational Performance

Correlations						
		LIA	AQ	MS	AREP	OP
Level of independency of auditor (LIA)	Pearson Correlation	1				
	Sig. (2-tailed)					
Audit quality (AQ)	Pearson Correlation	.518*	1			.

		*				
	Sig. (2-tailed)	.000				
Management support (MS)	Pearson Correlation	.343*	.411**	1		
	Sig. (2-tailed)	.003	.000			
Auditor risk evaluation practice (AREP)	Pearson Correlation	.282*	.401**	.586**	1	
	Sig. (2-tailed)	.017	.001	.000		
Organizational performance (OP)	Pearson Correlation	.589*	.690**	.637**	.627**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
N=71						
**. Correlation is significant at the 0.01 level (2-tailed).						
* . Correlation is significant at the 0.05 level (2-tailed).						

Source: Own field survey, 2025

As shown above on table 11, the results of the Pearson correlation between the independent and dependent variables were explained. The independent variables level of independency of auditor, internal audit quality and management support and auditor risk evaluation practice while the dependent variable was organizational performance. Based on the correlation result the four factors which serve as antecedent to organizational performance show different correlation coefficients. The highest correlation is (.690) between Audit quality and organizational performance the remaining variables, level of independency of audit staffs, management support, Auditors risk evaluation practice correlation is (.589), (.637) and (.627) respectively. In addition, the significant level of each factors designates the correlations are significant at $P < 0.001$ (2-tailed) this result indicates that there is strongly and significant positive relationship between all of the factors which affect organizational performance. Despite the fact that each of these correlations indicates a strong and positive association, they also demonstrate that the relationships strengths vary among the variables. As a result, the variables influencing internal auditing practice vary in how much they influence internal auditing effectiveness.

4.6 Effect of internal audit on Organizational Performance

4.6.1 Regression assumptions

4.6.1.1 Test for Normality

Table 14: Normality of data

Descriptive Statistics									
	N	Minimum	Maximum	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
LIA	71	3.10	4.00	3.5549	.22475	-.051	.285	-.508	.563
AQ	71	3.00	4.10	3.5634	.27005	-.333	.285	-.581	.563
MS	71	3.10	4.00	3.5606	.25828	-.132	.285	-.837	.563
AREP	71	3.00	4.10	3.6000	.26619	-.500	.285	-.089	.563
OP	71	3.50	4.40	4.0014	.20873	-.242	.285	-.328	.563
Valid N (listwise)	71								

Source: own field survey

As shown in the above table 14, To assess the normality of the data, skewness and kurtosis values were examined for each of the study variables: Level of Internal Audit (LIA), Audit Quality (AQ), Management Support (MS), Auditor Risk Evaluation Practice (AREP), and Organizational Performance (OP). Skewness values for all variables ranged between -0.500 and -0.051, while kurtosis values ranged between -0.837 and -0.089. These values fall within the acceptable range of ± 1.0 , indicating that the data for each variable is approximately normally distributed.

This result indicates that the assumptions of normality required for conducting parametric statistical tests, such as Pearson correlation and multiple linear regression, were satisfied. Therefore, the data is suitable for further statistical analysis aimed at identifying the relationships and effects among internal audit dimensions and organizational performance in the context of Nib Bank.

4.6.1.2 Multicollinearity

Table 15: Multicollinearity test

Model		Collinearity Statistics	
		Tolerance	VIF
a. Dependent Variable: OP	(Constant)		
	LIA	.711	1.407
	AQ	.645	1.550
	MS	.608	1.645
	AREP	.626	1.599

Source: Own field survey, 2025

As shown on the above table 15, the level of multicollinearity between the independent variables in the regression model with OP as the dependent variable is revealed by the collinearity statistics table. All of the predictors' Variance Inflation Factor (VIF) values AREP (1.599), MS (1.645), AQ (1.550), and LIA (1.407) are much below the generally recognized cutoff of 10, indicating that multicollinearity is not a significant issue in this model. The conclusion that there is no significant multicollinearity among the predictors is further supported by the fact that all of the tolerance values, which are the reciprocal of VIF, are over 0.1 range from 0.608 to 0.711. This implies that each independent variable gives unique and meaningful information to the model, and the regression estimates are likely to be stable and reliable.

4.7 Regression results

The dependent variable of the study is organizational performance (OP) and independent variables are and level of auditor independence (LAI), Audit quality (AQ), Management support (MS), and auditor risk evaluation practice (AREP)

$$Op = \beta_0 + \beta_1LAI + \beta_2AQ + \beta_3MS + \beta_4AREP + \epsilon_i$$

4.7.1 Model summary

Table 16: Model Summary^b

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.846 ^a	.716	.699	.11455	2.069
a. Predictors: (Constant), AREP, LIA, AQ, MS					
b. Dependent Variable: OP					

Source: Own field survey, 2025

As shown in the above table 16, the model summary indicating a strong relationship between the and the dependent variable OP and independent variables AREP, LIA, AQ, and MS , OP. The R value of 0.846 indicates a high degree of correlation between the predictors and the outcome variable. The R Square value of 0.716 indicates that approximately 71.6% of the variance in OP can be described by the combined effect of the independent variables. Adjusted R Square of 0.699 accounts for the number of predictors in the model and still reflects a strong explanatory power, implying that the model is robust and not overfitted. The standard error of the estimate is 0.11455, which provides an estimate of the average distance that the observed values fall from the regression line, which showing relatively low dispersion. Lastly, the Durbin-Watson statistic of 2.069 is close to 2, which indicates that there is no serious autocorrelation in the residuals of the model.

4.7.2 ANOVA

Table 17:Result of ANOVA

ANOVA ^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	2.184	4	.546	41.610	.000 ^b
	Residual	.866	66	.013		
	Total	3.050	70			
a. Dependent Variable: OP						
b. Predictors: (Constant), Auditor risk evaluation practice, LIA, AQ, MS						

Source: Own field survey, 2025

As shown in the above table 17, The ANOVA results gives further evidence on supporting the whole significance of the regression model. The amount of variance in the dependent variable (OP) that is explained by the independent variables (AREP, LIA, AQ, and MS) is indicated by the regression sum of squares, which is 2.184. The part of the variance not described by the model is implied by the residual sum of squares, which is 0.866. The total variation in OP is 3.050, which is the sum of squares. The regression's mean square is 0.546, and the residual's mean square is 0.013, with 4 degrees of freedom for the regression and 66 for the residual. In comparison to a model without predictors, the model greatly improves the dependent variable's prediction, as evidenced by the comparatively high F-statistic of 41.610. the significance value (Sig.) is 0.000, which is well below the common alpha level of 0.05, indicating that the regression model is statistically significant. This implies the independent variables have a significant effect together on OP.

4.7.3 Regression coefficients

Table 18:Regression coefficients

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.741	.262		2.828	.006
	LIA	.227	.072	.245	3.144	.002
	AQ	.272	.063	.352	4.311	.000
	MS	.202	.068	.250	2.968	.004
	AREP	.212	.065	.271	3.265	.002
a. Dependent Variable: OP'						

Source: Own field survey, 2025

As shown on the above table 18, the results from the coefficients table reveal that all four independent variables, such as Level of Internal Audit Independence (LIA), Audit Quality (AQ), Management Support (MS), and Audit risk evaluation practices (AREP) have a statistically significant and positive effect on Organizational Performance (OP). The regression model indicates that the constant term (B = 0.741, p = 0.006) is significant, implying that even in the absence of the predictors, there is a baseline level of organizational performance.

The biggest indicator of organizational performance among the factors is audit quality (AQ), which has the highest standardized coefficient Beta = 0.352. The significance of having skilled, knowledgeable, and efficient auditors is highlighted by the fact that a unit increase in audit quality leads to a 0.272 unit increase in performance (p < 0.001). Reliability of financial data is increased, risk management is strengthened, and improved decision-making is supported by high-quality audits.

Organizational Performance is also considerably affected by the level of internal audit independence (LIA) $B = 0.227$, $p = 0.002$. Internal auditors' work gains credibility and impact when they are free to function without undue management interference, which eventually improves the performance of the company. Similar to this, management support (MS) demonstrates a significant beneficial effect $B = 0.202$, $p = 0.004$, implying the fact that an environment that is conducive to auditor effectiveness is created when top management values and supports internal auditing. the auditor's role in (AREP) has a meaningful contribution $B = 0.212$, $p = 0.002$, indicating that internal auditor risk evaluation practice helps in providing of better organizational outcomes.

Discussion

The regression results presented in Table 18 indicates that all four independent variables Level of Internal Audit Independence (LIA), Audit Quality (AQ), Management Support (MS), and Audit Risk Evaluation Practices (AREP) have a statistically significant and positive influence on Organizational Performance (OP). Among them, Audit Quality (AQ) shows the strongest standardized effect $Beta = 0.352$, $p < 0.001$, supporting the findings of Alyaarubi et al. (2021), who highlighted the role of audit quality in enhancing financial reporting credibility and mitigating earnings management. Similarly, Abbas (2022) emphasized the role of internal auditors in applying performance indicators to improve banking performance, which aligns with the observed positive impact of AQ on OP. The positive and significant influence of LIA, $B = 0.227$, $p = 0.002$ comes with the conclusions of Mihret & Yismaw (2007), who found that independence is the critical to the effectiveness of internal audits in Ethiopia's public sector. This result also reflects Badara and Saidin (2014), who found a significant relationship between internal audit independence and organizational effectiveness in Nigeria.

In addition, Management Support (MS) shows a positive contribution to OP, $B = 0.202$, $p = 0.004$, consistent with Cohen and Sayag (2010), who asserted that the backing of top management is a cornerstone for internal audit effectiveness. The significance of AREP, $B = 0.212$, $p = 0.002$ also affirms findings by D'Onza et al. (2015) and Hella and Mohamed (2016), who argued that when auditors are involved in proactive risk evaluation, organizations benefit through improved governance and performance outcomes. Collectively, the results affirm the

integrated view proposed by Gramling (2004), which considers internal auditing as a critical component of corporate governance that drives performance. This study's results in line with the broader literature are contribute to the growing evidence that strength internal auditing practices when supported by organizational structures are significantly increases organizational performance, particularly in the financial sector.

4.8 Hypothesis Test

The regression results obtained from the model were utilized to test the hypotheses developed in chapter One. The hypotheses sought to test significant influences of internal audit independence, audit quality, Management Support, audit risk evaluation practice on the organizational performance.

H1: The independence of auditors has a significant and positive effect on organizational performance, is supported by the data. The standardized coefficient for auditor independence (LIA) is 0.227 with a p-value of 0.002, indicating a statistically significant positive relationship. This aligns with Sayag (2010) and Moraa (2012), who emphasized that the independence of internal auditors from the activities they audit is essential for conducting effective and efficient audit work.

H2: Quality of audit work has a significant and positive effect on organizational performance. The result shows a standardized coefficient of 0.272 for audit quality (AQ) with a highly significant p-value of 0.000. This supports the assertion of Moraa (2012) and Maletta (2013), as well as the IIA (2004; 2009) performance standards, which highlight that effective internal audits characterized by well-planned, executed, and communicated audit work significantly enhance organizational outcomes.

H3: Management support has a significant and positive effect on internal audit performance. While the study hypothesis focuses on audit performance, the analysis reveals that management

support (MS) also significantly contributes to overall organizational performance, with a coefficient of 0.202 and a p-value of 0.004. This is consistent with Sayag (2010), Tamene et al. (2014), Wanyoike (2007), and Moraa (2012), who argue that top management's commitment is vital in providing internal audit functions with the necessary resources and legitimacy to operate effectively.

H4: Auditor risk evaluation practices have a significant and positive effect on organizational performance. The coefficient for auditor risk evaluation practices (AREP) is 0.212, and the associated p-value is 0.002, indicating a significant positive relationship. This finding corroborates the work of Arena and Azzone (2009) and Mihret and Yismaw (2007), who emphasized that comprehensive and effective risk assessments by auditors enhance audit planning and effectiveness, which in turn positively influences organizational performance.

CHAPTER FIVE

5. CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

Issues like successfully carrying out duty are more important because internal auditing is an impartial, objective assurance and advising function intended to enhance and improve an organization's operations. Internal audit has been weakened by the recent global financial crisis, both in its more recent self-declared position as a crucial component of the organization's risk management culture and in its more traditional role of monitoring adherence to internal controls and financial integrity. It is evident that by using a methodical and disciplined approach to evaluating and enhancing organizational performance

5.2 Conclusions

This study aimed to examine the impact of internal audit effect on organizational performance by sampling the internal audit practices of Nib International Bank. It focused on four variables: auditor independence, audit quality, management support, and auditor risk evaluation practices. Thus, on this study is disused as follows:

The demographic findings indicate a well-balanced and diverse group of participants in terms of gender, age, education, and work experience. This diversity enhances the reliability of the study, as it reflects a broad range of professional perspectives. Most respondents were experienced and well-educated professionals, which indicates that the respondents view gathered are both informed and practical. This results the credibility of the research findings and strengthens the all conclusions about internal audit practices and their impact on organizational performance.

The study demonstrates that internal audit significantly contributes to enhancing operational efficiency, improving risk management, and reinforcing compliance mechanisms. All four independent variables studied were found to have positive relationships with organizational performance.

The findings of this study strongly support the notion that internal auditing plays a fundamental role in improving organizational performance. When auditors are allowed to operate independently, without interference or pressure from management, they can deliver more objective view and contribute more effectively to operational oversight.

In summary, internal audit functions, when structured with independence, quality, management support, and risk-focused methodologies, contribute substantially to achieving strategic goals. For banks like Nib International Bank, strengthening internal audit capabilities is not just a regulatory requirement but a strategic advantage that ensures sustained performance and growth.

According to the descriptive results of the study internal audit practices at Nib International Bank are generally perceived as moderately effective by employees. The study examines how internal audit practices influence organizational performance at Nib International Bank. The descriptive findings reveal that while internal audits are seen as important, their effectiveness is limited by weak auditor independence, moderate audit quality, and insufficient management support. Risk evaluation practices are in place but require improvement. generally, internal audit contributes positively to performance and audit at Nib International Bank is recognized as important and somewhat effective, but improvements are needed in strengthening independence, audit quality, management support, and risk-based practices to fully realize its potential in driving organizational performance.

In this study Correlation analysis indicates that there is a strong and significant positive relationship between four variables: internal audit independence, audit quality, management support, and audit risk evaluation practice and conduct of an internal audit of the organization.

5.3 Recommendations

Based on the data analyzed and research findings, the researcher arrived at several important recommendations made to enhance the internal audit function and, consequently improve organizational performance at Nib International Bank.

According to the findings in this study recommends several targeted actions to strengthen the internal audit function and enhance the organizational performance of Nib International Bank. first, the result shows significant positive effect of internal auditor independence on performance, the Bank should focus on ensuring that the internal audit department operates without interference. This can be achieved by revising the reporting structure to ensure direct accountability to the Board of Directors or Audit Committee, reducing undue influence from senior management. In addition, the Bank should implement policies such as auditor rotation and full access to documents and staff to reinforce independence in practice.

This study resulted that audit quality significantly impacts organizational performance, the Bank must invest in improving the competence and professionalism of its internal audit staff. This includes continuous professional development as well as risk-based audit approaches. Audit planning, documentation, and reporting standards should also be updated in line with international best practices to ensure consistency and reliability in audit outcomes.

This study found a result that management support is a critical in effective internal audits and, in turn, performance outcomes. thus, top management should actively support audit functions not only by allocating adequate financial and technological resources but also by fostering a culture that values audit insights. Regular management engagement in reviewing audit findings and implementing recommendations is very important. and also formalized follow-up mechanism should be put in place to track the resolution of audit findings and recommendations.

In addition, the study identified that auditor risk evaluation practices significantly influence organizational performance. To improve this, Nib Bank should adopt a structured risk management framework that integrates audit activities into broader enterprise risk management

processes. Internal auditors should be involved in risk assessments at both the strategic and operational levels. Equipping audit teams with modern tools and analytics for risk identification and tracking will further improve their effectiveness.

In the role of internal auditing in driving performance Nib bank should enhance the strategic status of the internal audit function. This includes involving audit leadership in high level decision-making, aligning audit objectives with corporate goals, as well as establishing performance metrics to measure the internal audit function's contribution to organizational value creation. Collectively, these recommendations are designed to strengthen the audit environment at Nib International Bank, address current limitations, and ensure that internal audit serves as a key pillar in enhancing financial stability and operational efficiency.

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Addis Ababa University

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APPENDIX –I: questionnaires

Dear Respondents, I am an accounting and auditing master student in Addis Ababa University. This questionnaire is designed to collect data to assess the effect of internal audit on organizational performance in Nib International Bank. The data shall be used for academic purpose only and it will be treated with confidentiality it deserves. Your participation in facilitating this study will be highly appreciated. Kindly tick (X) in the space provided with the correct answer or supply the required information where, required, please specify, and elaborate.

Thank you in advance for your support and participation.

Part- I: Demographic characteristics of respondents

1. Sex: Male (___) Female (___)

2. Age: 21-30 years (___) 31- 40 years (___) 41 – 50 years (___)

Above 50 years (___)

3. Marital Status: Single (___) Married(___) Divorced (___) Widowed (___) .

4. Educational Background: College Diploma (TVET) (___). First degree (___)

Master’s degree and above (___)

5. Working Experience: Less than 5 years (___) 5 to 10 years (___) 10 to 15 years (___)

Over 15 years (___)

6. Current position in your organization. _____

Part III: The effect of Internal Auditing practice on Organizational Performance

Please indicate your level of agreement on the following statements using key scales, 1= strongly disagree, 2=Disagree, 3= Neutral, 4= Agree, 5= Strongly Agree

Description		1	2	3	4	5
Level of independency of internal audit						
1	Internal audit staff contributes to organizational decision-making.					
2	Internal audit staff has the ability to conduct audits and make recommendations without interference from management.					
3	Internal audit staff can perform their duties without limitations caused by lack of independence					
4	Internal Auditors can freely access any necessary documents, information and data about the Process under investigation.					
5	Internal audit independence is essential for effective auditing in the bank.					
6	The Internal Audit decides on the scope, time and extent of auditing procedures based on auditing standards and the Bank’s audit policy.					
Audit Quality						
1	Internal audit reports are clear, accurate, and well-documented.					
2	Audit findings and recommendations are relevant, practical, and based on sufficient evidence.					
3	Audit procedures are conducted in accordance with established standards and methodologies.					
4	The audit team demonstrates professionalism and ethical conduct during engagements					
5	Audit work is completed within the agreed timeframe and scope.					
6	Audit results contribute to improvements in internal controls					

	and risk management.					
Management support						
1	Management actively supports the internal audit function and allocates sufficient resources to the internal audit department.					
2	There is open communication between management and the internal audit team.					
3	Management participates in the development of the internal audit policy and plan.					
4	There is a culture of accountability in the organization that supports internal auditing.					
5	Management fosters an environment where internal auditors can work independently.					
6	Management is involved in reviewing internal audit findings and provide responses to improve the organizations operational efficiency and risk management					
Auditor risk evaluation practice						
1	Management takes timely action based on risk assessment findings.					
2	The organization encourages a culture of risk awareness among employees.					
3	There is well-defined risk management framework in the organization					
4	The organization regularly updates its risk evaluation practices based on new information or findings.					

5	There is a clear process for escalating identified risks to senior management for further action.					
6	There is a strong culture of risk management that permeates the organization, influencing all levels of decision-making.					
Organizational performance						
1	Recommendations from internal audits are implemented promptly, leading to improved operational processes.					
2	The bank has a system in place to track the implementation status and impact of audit recommendations.					
3	The efficiency of bank operations is enhanced					
4	There is a continuous improvement in operational practices of the Bank					
5	There is effective assessment and identification of key risks facing the bank.					
6	Compliance with regulations and policies is effectively monitored.					

