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**COLLEGE OF BUSINESS AND ECONOMICS  
DEPARTMENT OF ACCOUNTING AND FINANCE**

***ASSESSING THE PRACTICE OF INTERNAL AUDITING IN  
THE CASE OF ETHIOPIAN ELECTRIC UTILITY (EEU)***

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**A Thesis Submitted to the  
Department of Accounting and Finance, College of Business and Economics,  
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## ***Abstract***

*The objective of this study was to assess the internal audit practices in Ethiopian Electric Utility (EEU) head office and the four district offices in Addis Ababa. This study employed a descriptive design with mixed research approach. The primary data was collected from 41 respondents Ethiopian Electric Utility (EEU) head office and the four district offices in Addis Ababa. Then, descriptive statistics analysis was done through SPSS version 26. The results of the study showed that the practice regarding the performance of the internal audit work, internal audit charter and auditors' level of proficiency and due professional care was high. The practice of internal audit independence and objectivity and scope of the internal audit work was moderate. However, the practice of EEU regarding management support for internal audit was poor. The results of the study also showed that the use of ERP system contributes for the good practice of internal auditing. Based on the findings of the study, it was recommended that the organization must prioritize and foster a culture that values objectivity and independence in internal audit through the establishment of clear policies, appropriate training, unrestricted rights of access to all information and records to support the internal audit function. The organization has to facilitate the internal audit works by allocating sufficient budget, recruiting more adequate and competent internal auditors and invest in the right technology that are easy to use, secure and compatible with existing systems to strengthen the internal audit practice.*

***Key words: Internal audit practice, internal audit charter, performance of internal audit work, internal audit independence and objectivity, Enterprise Resource Planning (ERP)***

## Statement of Declaration

I declare that the ideas included in this thesis are my original work except for the acknowledged sources. I also need to declare that this thesis is not submitted for any award to any university.

Name: - Zehara Beshir Mohamed

Signature: - 

Date:- 2/2/2024

## **Statement of Certification**

This is to certify that this research paper entitled "Assessing the practice of internal auditing the case of Ethiopian Electric Utility "is the work of Zehara Beshir Mohammed. It is done under the rules and regulation of the university and meets accepted standards in terms of originality & quality. It is submitted in Partial Fulfillment of the Requirement of Master of Science (MSc) in Accounting and Finance.

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## **Acronyms**

<b>APB</b>	Accounting Principles Board
<b>CFO</b>	Chief Finance Officer
<b>EEP</b>	Ethiopian Electric Power
<b>EEPCO</b>	Ethiopian Electric power Corporation
<b>EEU</b>	Ethiopian Electric Utility
<b>IIA</b>	The Institute of Internal Auditors
<b>MOF</b>	Ministry of Finance
<b>MOFED</b>	Ministry of Finance and Economic Development
<b>SPSS</b>	Statistical Package for Social Science

# CHAPTER ONE

## 1 INTRODUCTION

### 1.1 Background of the study

Internal audit is an age-old task and a successful means of management in numerous organizations. It has been a known element of organizations in both the public and private sectors and in most industries for many years. The Institute of Internal Auditors (IIA) defined internal auditing as *“an independent, objective, assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes (IIA, 2013, p. 2).”*

According to Kiabel ( 2012), internal auditing is all-inclusive and accordingly is arranged in the organization as a separate body responsible only to a high level of management. It is often seen as an all-encompassing monitoring activity with duty to management for evaluating the effectiveness of control techniques which encompass the duty of other functional managers. Hence, the internal audit function is not limited to the task of any particular function inside an organization.

According to Ebissa (2015 ), internal auditors are key employees of public offices who are expected to work independently and objectively to enhance an organization's tasks and services quality by keeping good internal control system, promoting accountability, evading corruption, guaranteeing good corporate governance, and greater transparency. Mokono (2018) also argue that the role played by internal audit and internal auditors make the practice more centrally as an important part of public expenditure controlling that also encompasses management controls and information communication processes. In addition, according to Fabrina (2018), government organization performances have caught public’s attention and become a current issue as the transparency of information can easily be accessed now a day’s quest government’s performance (Febrina, 2018)

The development of modern auditing system, in Ethiopia was marked in 1942 with the issuance of Ministry of Finance directives for public sector fund utilization. The establishment of the office of the Auditor General in 1961 with successive improvements of duties and

responsibilities in 1979 and 1987 was another major development in public sector auditing in the country. Then Ministry of Finance and Economic Development (MOFED) or the now Ministry of Finance (MOF) has the authority to produce internal audit manuals for use by all organizations that are solely or partially financed by the government budget. The Ministry has issued a manual that encloses a code of ethics for internal auditors and procedural guidance on the conduct of audits. Internal audit standards of the Ethiopian Government, indicated in the manual, relatively in line with those published by The Institute of Internal Auditors IIA (Mihret, 2007).

Public sector organizations are part of the public body which are partially or entirely financed by government budget and concerned with provision of basic government services to citizens (K. Odowa, 2015). Government Owned Companies are kind of public sector organizations that are founded by the government with government as shareholders having shares in trust for the overall taxpaying public. Hence, the participation of government in economic activity is a worldwide phenomenon (Kiabel, 2012).

In Ethiopia, there are some studies conducted in public sector organizations. Ebissa (2015 ) undertook a study on the “Determinants of Internal Auditor's Effectiveness” in 30 selected Ethiopian Public Sectors and (K. Odowa, 2015) studied Internal Audit Practice of Somali Regional Government Public sector offices. Meanwhile, Kiabel ( 2012) conducted a study on internal auditing standards and its practice in selected public enterprises of East Arsi Zone. Similarly, Mihret (2007) made a study on internal audit effectiveness in Ethiopian public higher education institute.

However, as far as the researcher’s knowledge is concerned, research examining the practices of internal auditing has been negligible in government offices in Ethiopia. This research, therefore, aimed at assessing the existing internal auditing practice by considering the auditors’ proficiencies, the auditors’ independence and objectivity, scope of work of internal auditing, audit charter, management support and Enterprise Resource Planning (ERP).

## **1.2 Background of the Organization**

Ethiopian Electric Power Authority (EELPA) was established in 1955 (1948 E.C). It was reestablished as Ethiopian Electric Power Corporation (EEPCo) after restructuring in 1996 (1989E.C). The corporation was reorganized in to two entities, Ethiopian Electric Power (EEP) and Ethiopian Electric Utility (EEU) in 2013, (2006 E.C) by regulation No. 303/2013.

Ethiopian Electric Utility (EEU) was reestablished with the vision of energizing Ethiopia's sustainable growth and making the country power hub of Africa indefinite duration. The EEU as a public enterprise has the purpose of distributing and selling electrical energy in accordance with economic and social development policies and priorities of the government (EEU 2019).

At the time of re-establishment, the authorized capital of the enterprise is Birr 64,715,822,693.20 (Sixty-Four Billion Seven Hundred Fifteen Million Eight Hundred Twenty-Two Thousand Six Hundred Ninety-Three Birr and Twenty Cents) of which Birr 16,178,955,673.30 (Sixteen Billion One Hundred Seventy-Eight Million Nine Hundred Fifty-Five Thousand six hundred three Birr and thirty cents) is paid up capital in cash and in kind (Regulation no 303/2013). The Enterprise has a head office in Addis Ababa, with 13 regional branch offices, 28 districts and 554 customer service centers. All such activities were delivered to the customers through a man power of around 21,231 employees and the number of customers was about 4.32 million (EEU 2022).

### **1.3 Statement of the problem**

In recent years, researchers and practitioners have widely discussed the need for internal auditors of adding more value to their company's operation and contributing to the achievement of corporate objectives. According to Orma et al, (2012) this study was focused on increasing attention on issues such as; performance evaluation and effectiveness of the company's internal auditing. Companies employ their own internal auditors to do both financial and operational audits. Internal auditors focus on different areas. But the extent of internal auditing may vary from one company to another (Arenas et al., 2012).

Ayneshet (2019) assessed the internal audit practice and its role in effective use of public resource with reference to public bureaus in SNNPRS by employing a descriptive design with qualitative research approach, The primary data collected from respondents in the selected public bureaus of southern Ethiopia was analyzed by means of descriptive statistics through SPSS version 20.0. The findings of the study showed that lack of expertise, lack of management support, lack of opportunity for professional development, lack of information technology facilities and lack of positive and supportive attitude toward internal controls, restricted access to necessary audit evidence, and wrong perception towards the audit function were main challenges of auditors' work performance.

Alemayehu (2020) assessed the practice of internal audit in selected bureaus in SNNPRS by employing descriptive research design. The data was collected via structured questionnaire from

195 professionals in the bureaus selected through simple random and purposive sampling techniques and analysis of the data was done through statistical software, SPSS version 21.0. the findings of the study showed that lack of training, sufficient audit facilities, management support, competent audit staff, adequate man power and presence of interference by the higher officials were the major challenges of internal audit.

Mulugeta Hadgu (2018) assessed the internal audit practice in the United Bank S.C by employing both quantitative and qualitative research approach. The data was collected through questionnaire with both close and open-ended questions from fifty (50) respondents selected by purposive sampling method. The quantitative data was analyzed using descriptive statistics. The findings of the study showed that internal auditors were not free from intervention in performing their duties and did not feel free to include any finding in their audit report. In addition, there was lack of commitment by the management to implement audit recommendations.

Most of the prior auditing researches presented inconclusive findings on the practice of internal audit. The inconclusiveness of the findings might be a result of the different research methodologies adopted by the reviewed empirical literature. In addition, most studies are contextualized in different jurisdictions and regions which further widen the gaps in the literature. Therefore, this research was aimed at filling this contextual gap by assessing the existing internal auditing practice of Ethiopian Electric Utility by considering internal audit charter, auditors' proficiencies and due professional care, auditors' independence and objectivity, scope of internal audit work, and performance of the audit work, management support and Enterprise Resource Planning (ERP).

## **1.4 Objective of the Study**

### **1.4.1 General objective**

The general objective of the study was to assess the internal audit practices in Ethiopian Electric Utility (EEU) head office and the four district offices in Addis Ababa.

### **1.4.2 Specific objectives**

Specifically; the research has the following objectives.

- To assess whether the audit charter (if any) clearly state the IA's responsibility, duty, and scope of activities.
- To determine the extent of internal auditors' independence and objectivity.
- To examine the scope and performance of the internal audit work.
- To assess the level of management support for internal audits and internal auditors' level of proficiency.
- To determine the role of using ERP on the practice of the internal auditor's work

## **1.5 Research Questions**

The research tried to answer the following questions.

1. Does the audit charter (if any) clearly state the IA's responsibility, duty, and scope of activities?
2. Do internal auditors perform their duties objectively and independently?
3. What is the level of the performance of the internal audit work and to what extent the IAF are broad, i.e., the scope of the internal audit work?
4. Do internal auditors have the required level proficiency and get sufficient support from management?
5. What is the role of ERP on the practice of the internal auditing?

## **1.6 Significance of the Study**

This research paper will contribute a body of knowledge on the practice of internal audit by systematically and empirically documented in the Ethiopia context. Likewise, results reached from this study are expected to give important messages to the management body in EEU on the existing practice of internal audit. The findings of the study will also contribute to the limited knowledge on the practice of internal audit by way of reference material.

The study can also benefit scholars and researchers on the practice of internal audit, directly or indirectly, in terms of the research approach and can be used as an input for other researchers. Finally, based on the conclusions to be drawn in this research, scholars from different fields of study may use them as a stepping stone for further studies.

## **1.7 Scope of the Study**

The scope of the study was delimited geographically, conceptually, methodologically as well as time.

**Geographically**, this study was intended to assess internal audit practice in EEU head office and the four district offices in Addis Ababa.

**Conceptually**, the study assessed the internal audit practice of Ethiopian Electric Utility (EEU) at head office and the four district offices in Addis Ababa with respect to internal audit charter, auditors' proficiencies and due professional care, auditors' independence and objectivity, scope of internal audit work, performance of the audit work, management support and Enterprise Resource Planning (ERP). And the participants were 41 audit experts in EEU head office and the four districts in Addis Ababa because they are directly involved in the audit work.

**Methodologically**, descriptive survey design was employed to study the problem. It is because the method is believed to provide precise information concerning the internal audit in government sectors related to practice.

## **1.8 Limitation of the Study**

Although EEU operates throughout the regions of the country, this study is limited to the assessment of internal audit practice in EEU head office and the four district offices in Addis Ababa. Even if, the findings of this study would have had paramount importance if more employees had been included in the research, for employees who live in different regions may have different opinion towards internal audit practice in EEU. However, due to time and financial constraints, it was not possible to broaden the study to see the relationship between city branches and outlying branches on internal audit practice in EEU. As a result, employees in the case area branches were only taken as the subject of the study.

## **1.9 Organization of the Paper**

This study was organized in to five chapters. The first chapter will have introductory part of the study that contains several parts including background of the study, statement of the problem and research questions of the study. Chapter two addresses review of related literature such as issues to be addresses by literature review, theories and conceptual framework. Chapter three covers the research methodology part constituting the research design, approach and method as well as research population and sampling. Chapter four will contain results and discussions of the study; whereas, Chapter five addresses summery, conclusions and recommendations.

## CHAPTER TWO

### 2 LITERATURE REVIEW

#### 2.1 Theoretical Literature

##### 2.1.1 The Concept of Internal Auditing

The Institute of Internal Auditors (IIA) issued an International Professional Practices Framework (IPPF) which includes the Definition of Internal Auditing, Code of Ethics, International Standards for the Professional Practice of Internal Auditing (hereafter: the Standards), Position Papers, Practice Advisories, and Practice Guide (IIA, 2013). The IPPF, particularly the Standards constitute guidance for internal auditors worldwide to perform internal auditing activities in a professional manner (Whittington and Pany, 2008).

The concept of internal auditing is contained in the definition of internal auditing as follows:

*“an independent, objective, assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes (IIA, 2013, p. 2).”*

This definition of internal auditing was first officially published in June 1999 by the IIA (Nagy, A.L. and Cenker, W.J., 2002). The definition and the Standards are the authoritative references for the internal auditor in undertaking the practice of internal audit (Abdolmohammadi, M.J., 2009).

The definition clearly mentions the aims of internal auditing as to add value to the entity by improving the information quality for decision-making (Bou-Raad, G., 2000). For this purpose, it needs to involve the internal auditor in all operations of the organization to create and maintain an effective internal control by providing assurance and consulting activities (Bou-Raad, G., 2000). These activities must be conducted in an independent and objective manner (Brody, R. and Lowe, D.J., 2000) (Siddiqui, J. and Podder, J., 2002). Furthermore, the activities of an internal audit include risk management, and control and governance processes that are carried out using a consultative approach and focus on efficiency and the effectiveness of operation

(Bou-Raad, G., 2000). Consequently, current practice of internal audit requires an internal auditor to have broad competence.

Thus, the definition of internal auditing contains some important components, such as the independent and objective nature of the internal auditing activities, the scope of work, the performance of audit work and the professional proficiency of the internal auditor. These and other elements are presented as follows.

#### **2.1.1.1 The Internal Audit Charter**

Internal audit charter is defined by the IIA as

*“a formal written document that defines the activity’s purpose, authority and responsibility. The charter should be (a) establish the internal audit activity’s position within the organization; (b) authorize access to records, personnel and physical properties relevant to the performance of managements; and (c) defined the scope of internal audit activities”* (Chartered Institute of Internal Auditors, 2017).

Additionally, an internal audit charter typically includes the responsibilities of the IA in broad terms, the standards followed by the IA; and the relationship between the IA and the audit committee. It may also define access to the information (documents, records, systems, and personnel) necessary to perform and reach conclusions on the work, and it is a vehicle for asserting that there are no unreasonable limitations on the scope of the auditor work. According to (Van Peurse, 2005), the presence of a strong Charter adds an official and respected layer of authority to the position of Internal Audit in the company. It is also an important feature of insuring success in achieving the independent status of an Internal Audit. Furthermore, according to (Van Peurse, 2005) the existence of audit charter in organization influences senior management to flow the recommendations of the internal auditor (Hailemariam, 2014).

#### **2.1.1.2 The Independence and Objectivity of the Internal Auditor**

Despite contrary arguments on the operation of dual functions of internal audit - as the assurance provider and also a consultant - independence of internal auditing is a key concept (Hughes, P., 2004). The independence of the internal auditor provides an effective internal audit service for management, since it gives an objective and unrestrained evaluation, provides an audit report and audit recommendations (Mihret, D.G. and Yismaw, A.W., 2007).

Independence is defined as “*the freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner*” (IIA, 2013). Scholars interpret the independence of the internal auditor from different angles. Independence can mean that the internal auditors are free from conflicting duties, free from the intimidation of top management (such as limitations on audit scope, audit procedures, time restrictions, personnel management process, and resources (Peurseem, V.K., 2004), free from the activities being audited and personnel involved (Bou-Raad, G., 2000). Being independent means that the internal auditors are able to express their opinions without any prejudice or threat to their position (Sawyer *et al.*, 2003).

The independence of internal auditing comprises organizational independence (also known as the organizational status of an internal audit department within the overall organization) and objectivity of internal auditors when they undertake audit works (Suwaidan, M.S. and Qasim, A., 2010). Meanwhile, the objectivity refers to “a state of mind in which biases do not inappropriately affect assessments, judgments, and decisions” Bailey *et al.* (2003, p. 235).

According to the scholars, there are various important factors relate to the independence of internal auditing as follows:

- Support from top management in terms of providing sufficient financial support as well as qualified and experienced staff (Mihret, D.G. and Yismaw, A.W., 2007), permitting the auditors to think freely, and assuring the implementation of recommendations (Sawyer *et al.*, 2003).
- Delivery of internal audit reports to the highest management level, the board of directors and the audit committee, in an unrestricted way (Sarens, G., 2009)
- Ensuring internal auditors have unlimited access to all necessary information when undertaking audit activities, such as all physical reality, records and people (Sawyer *et al.*, 2003), all activities, decisions and projects of the Chief Executive Officer (CEO), Chief Finance Officer (CFO) and other top executives (Hughes, P., 2004).
- The internal auditors must be free from conflicts of interest. There must also be a qualified audit committee (Bou-Raad, G., 2000).
- The internal audit unit should be located in the higher hierarchy of an organization as these results in direct responsibility to the board of directors (Bou-Raad, G., 2000).
- The functions of internal audit and its responsibilities should be contained in the Internal Audit Charter (Hughes, P., 2004).

### **2.1.1.3 The Professional Proficiency of an Internal Auditor**

The IIA (2013, p. 19) describes professional proficiency as follows:

*“Knowledge, skills, and other competencies is a collective term that refers to the professional proficiency required of internal auditors to effectively carry out their professional responsibilities.”*

Alzeban et. al. (2013) mentioned that qualified internal auditors are required to execute audit duties. In this matter, scholars have diverse standpoints on the components of the internal auditor’s competence. Desai *et al.* (2010) and Tarr (2002) consider the educational level and professional experience as essential factors of the competence of internal auditor, whilst (Obeid, O., 2010) agrees but includes training as an additional important element of competence. Other scholars such as (Mulugeta, S., 2008), Odar *et al.* (2006) use professional certifications and continuing professional development as indicators of the competence of internal auditor. (Pickett, S., 2000) identifies professional qualifications, knowledge sharing between experienced senior auditors and junior auditors, external seminars as training media, and reliance on experts as creating an internal auditor’s competence. Al-Twaijry *et al.* (2004) state that the operations, processes and procedures of a company as well as the quality and quantity of supervision conducted by the internal audit department determine the competence of an internal auditor.

The competence of an internal auditor should cover: accounting and auditing knowledge (Dittenhofer, M., 2001); communication skills (Dittenhofer, M., 2001); various technical skills (Siddiqui, J. and Podder, J., 2002). The ability of the internal auditors who undertake monitoring and improving of risk management and internal control systems will be determined by their education level, their work experiences, professional certifications, training and development programs completed, behavioral skills, as well as technical skills (Sarens, G., 2009).

### **2.1.1.4 Scope of Work of Internal Auditing**

The scope of works cannot be separated from the functions of internal audit. The expanded scope of work reflects the evolved functions. The extended internal audit’s works as well as functions are contained in the definition of internal auditing issued by IIA. The definition demonstrates that there are three major domains of internal auditing which consist of internal control, risk management and governance process (IIA, 2013). For this range of works, the functions of internal auditing cover being both provider of assurance services and consultant as indicated by

the definition (IIA, 2013). Moreover, there is a specific function in the governance context which is known as the agent of change (Burnaby *et al.*, 2009).

As presented in the previous section, government regulations and professional bodies, such as the IIA, had an impact on the expanded functions of the internal audit. The functions of internal audit and its scope of work have been expanded to cover more activities (Cohen *et al.*, 2004). Traditionally, internal audit functions focused mainly on compliance, monitoring, and examining the performance of line managers. However, the new functions give emphasis to improve corporate performance, link to risk management and help managers understand the potential obstacles in achieving a company's goals (Matyjewicz, G. and D'Arcangelo, J. R., 2004). Furthermore, Committee of Sponsoring Organizations (COSO) stresses the specific scope of internal audit on "... the examination and evaluation of the adequacy and effectiveness of the organization's system of internal control and the quality of the performance in carrying out assigned responsibilities" (COSO, 2011). (Chambers, A. D. and Odar, M., 2015) argue that internal audit scope should go beyond compliance, governance, risk management and internal control processes. The internal auditors should consider "the quality of the inputs to, and the outputs from these processes, and to identify and report any unacceptable levels of risk" (Chambers, A. D. and Odar, M., 2015).

#### **2.1.1.5 The Performance of the Audit Work**

The internal audit activities should be performed with a systematic and disciplined approach as presented in the definition of internal auditing (IIA, 2013). A systematic process of auditing consists of a number of steps, namely audit planning, examining and evaluating information from fieldwork, reporting findings and following up the audit recommendations (IIA, 2013). These stages are general guidelines provided by the Standards for the internal auditors to carry out the auditing activities. Similarly, Sawyer *et al.* (2003) states that internal auditors should follow the Standards by performing a number of actions. Firstly, the head of internal audit department must supervise the entire auditing process, from planning to completion. Secondly, all the audit works should be documented in the audit working papers including the evidence of follow-up procedures and disposition of deficiency findings. Thirdly, the conclusions drawn within the audit reports should be backed by comprehensive supporting documents and also competent, sufficient, and relevant evidence. Finally, there should be an archival system for the working papers. It is important to plan, control and record the work of internal audits, and

internal auditors may use these processes to determine audit priorities, set objectives and audit resources (William *et al.*, 2001).

The criteria for a successful audit consist of the auditee considering the audit findings, and following up the audit recommendations. Therefore, the IIA (2013) recommends the chief audit executive to “establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action”. The attitude to ignore the audit recommendations could be caused by the perception among management that internal auditing is a barrier to achieving organizational goals and in this case such a perception may be detrimental to the company (Flesher, D.L. and Zanzig, J.S., 2000).

#### **2.1.1.6 Management Support for Internal Audit**

Top management support is very critical for the proper functioning of the internal audit department (Dellai, H. & Omri, M.A.B., 2016). Internal auditing definitions encompass good governance which depends to a large extent on the professionalism of top management to ensure effective internal audit function (Alzeban, A. & Gwilliam, D., 2014). With the support of top management, internal auditors can obtain sufficient resources to execute their duties and responsibilities, and the internal audit function can employ qualified staff and provide continuous training and development (Alzeban, A. & Sawan, N., 2013).

Previous studies have argued that management support is very crucial for the objective of the internal audit department to be achieved. For instance, Ahmad *et al.* (2009) found that management support was the second most important determinant of IAE within the Malaysian public sector, after sufficiency of the auditing staff. (Mihret, D.G. and Yismaw, A.W., 2007) found management support as the most important factor influencing effective internal auditing. (Alzeban, A. & Gwilliam, D., 2014) found that senior management support was the most important factor influencing the effectiveness of internal auditing in Saudi public sector organizations. They noted that the effectiveness of internal auditing would be improved by hiring trained and experienced staff and providing sufficient resources.

#### **2.1.2 Types of Audits Conducted by Internal Auditors**

According to (IIA, 2013) variety of audits are performed in the review of sector programs and resources. These audits include.

**Operational Audits:** For Adriana (2007), an operational audit invariably referred to as a value-for-money audit or performance audit. It helps to determine whether the objectives of the programs or activities were carried out in an economical, efficient, and effective manner. According to Arens et al. (2012), such types of audits assess the efficiency and effectiveness of any part of an organization's operating procedures and methods. At the entirety of an operational audit, management normally expects hints for enhancing operations. For example, auditors would possibly examine the performance and accuracy of processing payroll transactions in a newly mounted laptop system.

On the other hand, Mahbuba state (2012) Performance Audit is the evaluation of the economy, efficiency, and effectiveness with which a central authority employer makes use of its sources to perform its obligations and the results of its operations in the atmosphere. At the crowning glory of an operational audit, control commonly expects hints for enhancing operations. i. Economy and efficiency (Management) audit – The appraisal of control overall performance from the maximum green factor of view. Tewodros (2014) further noted that the subject matter of operational audit is defined by the audit objectives and audit questions. It may be specific programs, entities or funds or certain activities, existing situations as well as non-financial or financial information about any of these elements. Now a days, operational audit is an independent profession, which is playing a significant role in the management of organizations and states policy.

**Financial Audits:** Arens et al. (2012) explained that as businesses increase in complexity, it is no longer sufficient for auditors to focus only on accounting transactions. An integrated approach to auditing considers both the risk of misstatements and operating control intended to prevent misstatements. Accordingly, Nusrat (2012) mentioned that a financial audit helps to give an opinion on whether the financial statement prepared by the public sector agencies shows a true and fair view of the financial state.

Synonymously, Arens et al. (2012) said monetary audit as its miles carried out to decide whether or not the monetary statements (the facts being verified) are stated in accordance with specified standards. The auditors must also have a thorough understanding of the entity and its environment. This knowledge consists of information of the client's enterprise and its regulatory and working environment, such as outside relationships which suppliers, customers, and creditors. The author additionally considers the client's enterprise techniques and tactics & essential fulfillment elements associated with the one's techniques. Based on IIA, Tewodros

(2014) described the financial audit as a financial position, performance, cash flow, or other recognized, measured and presented in financial statements. The issue count statistics is the economic statements.

**Compliance Audits:** According to Arens et al. (2012) compliance audit carried out to decide whether the audit is following precise processes, rules, or guidelines set through a few better authorities. Effects of compliance audits are usually mentioned to control, in preference to doors users, due to the fact control is the number one organization worried with the volume of compliance with prescribed processes and guidelines.

As Nusrat (2012), a compliance audit helps to examine and review the transactions and activities of departments or agencies to determine whether they have conformed to all laws and policies. Besides, Tewodros (2014) protracted the subject matter of a compliance audit as it was defined by the scope of the audit. It can be activities, economic transactions, or information. The consequences and the suggestions of the audit performed are supplied inside the audit report, that's communicated to stakeholders, others accountable for governance and the overall public, and have to mirror the contribution of the IAS to suitable governance.

**Information Systems Audits:** Information system audit is a part of the overall audit process, which is one of the facilitators for good corporate governance, Ron (1999) described it as a process of collecting and evaluating evidence to determine whether a method of amassing and comparing the proof to decide whether a computer system (statistics system) safeguards asset, continues records integrity, achieves organizational desires successfully, and consumes sources efficiently. Information structures are the lifeblood of any massive business. Auditing information requires separate technical skills that permit an auditor to identify machine weaknesses and issues. An information systems auditor combines the analytical skills of an auditor with the technology expertise of information technology.

According to Arens et.al (1999), information system audits review the internal control environment of automated information processing systems and how people use these systems. The audit typically assesses the controls used to backup and restore system input and output.

**Internal Control Reviews.** According to the Committee of Sponsoring Organizations of the Tread way Commission (COSO), internal control is a process affected via way of means of an entity's board of directors, management, and different personnel, designed to offer affordable guarantee concerning the fulfillment of targets regarding operations& reporting. According to

Nusrat (2012), the best way for a company to ensure that its internal control system is operating efficiently is with an internal control review. An inner management evaluation highlights vulnerabilities in a company's inner management surroundings and identifies procedures that may be strengthened.

According to RSM (2021), an internal control review is a typical evaluation of inner manipulates device and its adequacy of enterprise vicinity in an employer to deal with the applicable risks. Through manipulate review, an employer's assets are directed, monitored, and measured in a powerful manner. An inner management evaluation highlights vulnerabilities in a company's inner management surroundings and identifies procedures that may be strengthened.

Arens et.al (2012) stated these audits focus on components of major business activities, such as payroll and benefits cash management involve and equipment grants and contracts for physical and financial protection.

### **2.1.3 ERP Systems in Internal Auditing**

Currently, accounting and auditing are fundamental elements for their organizations, so the IT resources, which help both the accountant and the auditor in their daily work, have been developed and improved with the aim of standardizing their procedures, as well as reducing audit risk. As an example, ERP (Enterprise Resource Planning) systems have become imperative when the organization's goal is to improve organizational performance and increase competitiveness in the economy. ERP systems are able to promote changes in the organizational structure, always with the aim of improving the quality of accounting information to assist the decision making of managers and stakeholders (Santos, Carlos Alberto Ferreira dos, 2018).

ERP can have a positive impact on auditing, namely (Mosweu, Olefhile, and Mpho Ngoepe, 2020): ERP environment may improve auditor's ability to identify suspicious activities and determine fraud; more effective and fast audit processes; ERP systems assist in the reduce of audit report latency; reduction of fraud because of the existence of continuous audit functions; compatibility with international auditing standards; integrated audits rather than separate audits since one of the advantages of ERP is that it is an integrated system that unites all of the enterprise's divisions into one.

Moreover, studies have shown that digital records created in ERPs, such as digital accounting implementation, remain authentic to facilitate financial auditing processes and accomplish audit performance (Barros, Cátia, and Rui Pedro Marques, 2022). The ERP systems are also

considered important to provide continuous assurance services to organizations, namely by monitoring operations in real time, identifying the irregular transactions, ascertaining of fulfilling of rules and detecting processing errors (Barros, Cátia, and Rui Pedro Marques., 2021), considered very important for the improvement of the internal audit (Alsurayyi, Amjaad I, and Sulaiman A. Alsughayer., 2021).

The positive impact on business performance caused by the adoption of current ERP systems continues to be noticed and studied empirically (Marsudi, Almatius, and Rilo Pambudi, 2021). An organization can enhance the operational performance of its internal audit department using an integrated effective ERP system (Bender, Benedict, Clementine Bertheau, and Norbert Gronau., 2021).

## **2.2 Empirical Literature**

Internal auditing is undertaken in dissimilar legal and cultural settings; within companies that differ in purpose, size, complexity, and structure; and by individuals inside or outside the organization. So, the differences may affect the practice of internal auditing in each environment (IIA 2012). In line with this, the previous studies reviewed hereunder are from different settings.

Ayneshet (2019) assessed the internal audit practice and its role in effective use of public resource with reference to public bureaus in SNNPRS by employing a descriptive design with qualitative research approach, The primary data collected from respondents in the selected public bureaus of southern Ethiopia was analyzed by means of descriptive statistics through SPSS version 20.0. The findings of the study showed that lack of expertise, lack of management support, lack of opportunity for professional development, lack of information technology facilities and lack of positive and supportive attitude toward internal controls, restricted access to necessary audit evidence, and wrong perception towards the audit function were main challenges of auditors' work performance.

Zinabu Gebru et. al. (2021) examined the law and practice related challenges which government internal auditors are encountering in executing their duties in Tigray Regional State. The primary information was collected from 40 internal auditors through detailed questionnaire and interview with some internal audit process owners and bureau heads and/or deputy heads. The study indicated that the major challenge was less management support provided to the Internal Audit Units. Absence of other IA effectiveness factors like Independence and Competence were also found as challenges.

The study by (Utami, 2016), attempted to show how external pressures of coercive, normative and mimetic shape the practical works of internal audit in an Indonesian public State-Owned Enterprises. The study engaged primary data collection through semi-structured interviews from internal auditors within the internal audit department of State-Owned Enterprise, including the head of the internal audit unit. Besides, official available data and direct observations made during company visit were also employed and qualitative analysis was employed to analyze collected data. The results of the study revealed that the internal audit unit of the State-Owned Enterprise reacted to the regulations by officially adopting the regulations in the Internal Audit Charter (Charter) and the existence of formal and informal coercive, mimetic and normative pressures applied to the internal audit unit.

Alemayehu (2020) assessed the practice of internal audit in selected bureaus in SNNPRS by employing descriptive research design. The data was collected via structured questionnaire from 195 professionals in the bureaus selected through simple random and purposive sampling techniques and analysis of the data was done through statistical software, SPSS version 21.0. the findings of the study showed that lack of training, sufficient audit facilities, management support, competent audit staff, adequate man power and presence of interference by the higher officials were the major challenges of internal audit.

Mulugeta Hadgu (2018) assessed the internal audit practice in the United Bank S.C by employing both quantitative and qualitative research approach. The data was collected through questionnaire with both close and open-ended questions from fifty (50) respondents selected by purposive sampling method. The quantitative data was analyzed using descriptive statistics. The findings of the study showed that internal auditors were not free from intervention in performing their duties and did not feel free to include any finding in their audit report. In addition, there was lack of commitment by the management to implement audit recommendations.

Fikirte (2022) assessed the internal audit practice in Ethiopian Food and Drug Authority using descriptive research design. The data was collected through questionnaire and interview from 91 respondents selected by judgment sampling technique. The quantitative data was analyzed using descriptive statistics. The findings of the study showed that lack of sufficient resource, inadequate size of the audit department, absence of taking immediate corrective action against the internal audit comments and inadequate budget to accomplish activities per plan are the major challenges of the internal audit unit.

Tadesse (2018) assessed the internal audit practices in selected public sectors in Oromia special Zone around Finfinnee. The study employed descriptive research design and data was collected through questionnaire and interview from 120 respondents. The quantitative data was analyzed using descriptive statistics. The findings of the study showed that conflicts in reporting responsibilities and lack of continuous professional development opportunities are the major problems on the internal audit practice.

K. Odowa (2015) conducted research on internal audit practice of Somali Regional Government Public sector offices of Ethiopia showed that organizational policy authorizing internal audit and reporting follow up are in line with IIA's standards. However, auditee cooperation to the internal audit staffs is low, audit planning is not considered under organizational risk profile, independence and objectivity of internal auditors are impaired and quality assurance is not carried out that leads ineffectiveness of internal audit. Besides, there is low support of management and other organs on the role of internal audit function in good governance, rotating internal audit assignment and employment decisions in internal audit.

Kedir, H., Seyom,A. and Gemed,A. (2014) studied internal auditing standards and its practice in selected public enterprises of East Arsi Zone, Ethiopia. The result shows that competency of internal auditors in education and experience is in line with IIA standards and the internal audit activities comply with institute of internal audits. Besides, that majority of the respondents responded that they are working as per internal auditing standards. In addition, internal auditing is not detached from functional area to guarantee its independence and the enterprises internal auditing has no quality assurance program and that internal audit is planned on the basis of the enterprise's risk profile in order to eliminate or minimize the prevalent risk in the enterprise.

Mesud Mohammed and Mohammed Adem (2019) evaluated the internal audit practice of 10 Afar regional public sector offices in which total of 50 questionnaires were distributed. The researchers also used purposive sampling technique and collected primary data through questionnaire and interview. The responses gotten were encoded in to SPSS 16.0 and analyzed using descriptive approach. The findings of the study showed that the scope of internal audit was restricted only to financial activities, there was no suitable environment for independency of internal auditors, policy for hiring and training, experience, professional certification of internal auditors and management support to internal audit was not good except compliance of audit work and fairness of budget allocation, there is no clear and understandable internal audit charter.

Tesfaye (2014) studied commercial banks of Ethiopia's internal auditing practice and assess whether its performance is effective and efficient. The study found out that there is a problem of getting continuous training on internal auditing by force of interest and the auditor may violate the principle of auditor's independence in conducting audit work. The major risks faced by internal auditors are lack of experience, lack of management respect and opportunity for professional development.

### **2.3 Research Gap**

The review of literature presents inconclusive findings on the practice of internal audit. The inconclusiveness of the findings might be due to that most of the studies are conducted in different organizations with different settings which contextualize the findings in the reviewed literature. For instance, the study conducted by Mengesha (2021) on "internal audit practice in the case of KAKI PLC Addis Ababa, Ethiopia" reported poor management support whereas the study conducted by Alemu (2022) on "Assessment of Internal Audit practice efficiency in Private Commercial Banks of Ethiopia" revealed that management gives the necessary support to internal auditors retained at private commercial banks.

Research conducted by Tewodros (2016) reveals that insufficient auditors' knowledge, lack of qualified staff and scarcity of facilities were the challenges on the practice of internal audit faced by commercial banks in Ethiopia. Whereas, research conducted by Arefayne (2019) on the factors affecting internal audit effectiveness in the case of Ethiopian Insurance companies reported that competence of IA teams, quality of IA was strong.

Therefore, this research was aimed at filling this contextual gap by assessing the existing internal auditing practice of Ethiopian Electric Utility (EEU) by considering internal audit charter, auditors' proficiencies and due professional care, auditors' independence and objectivity, scope of internal audit work, audit, and performance of the audit work, management support and Enterprise Resource Planning (ERP).

## **CHAPTER THREE**

### **3 RESEARCH METHODOLOGY**

#### **3.1 Research Design**

A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. In fact, the research design is the conceptual structure within which research is conducted; it constitutes the blueprint for the collection, measurement and analysis of data (Kothari, 2004).

For the purpose of this study, descriptive survey design was used. This is because the researcher intended only to describe the internal audit practice related to the independence and objectivity of internal auditors, proficiency of internal auditors, scope of work of internal auditing, performance of the audit work, management support and Enterprise Resource Planning (ERP) in Internal Audit Departments of EEU head office and four districts in Addis Ababa region namely North, East West and South districts in Addis Ababa.

#### **3.2 Research Approach**

In this study both qualitative and quantitative (mixed) research approach was applied. The rationale of using such mixed strategies was to gather data that could not be obtained by adopting a single method (Creswell, 2003). It was proved to be suitable for this research that used structured questionnaire to collect data, depend on small sample size and results would be presented and analyzed using statistical methods. Thus, to attain the objective of the study and answer the research questions; the researcher adopted both quantitative and qualitative (mixed) research approach to know the existing internal audit practices in Internal Audit Departments of EEU head office and four districts in Addis Ababa region.

This study focused more on quantitative approach to answer the research questions and used some qualitative information to know existing internal audit practices in Internal Audit Departments of EEU head office and four districts in Addis Ababa region.

### **3.3 Population and Sampling Technique**

#### **3.3.1 Population of the Study**

Statistical population of the study consisted of 41 audit experts in EEU head office and the four districts in Addis Ababa, among these Eight (8) were managers. Therefore, all audit experts and managers in Ethiopian Electric Utility (EEU) were the target population of this study.

Unit of analysis was related with the population (specific population) that was used to collect data. Thus, the units of analysis for this study were audit experts in EEU head office and the four districts in Addis Ababa.

#### **3.3.2 Sample Size and Sampling Technique**

The sample size and sampling techniques play a great role for the accuracy and validity of the information gathered. This study used census method as a sampling technique. Census is the method of statistical enumeration where all members of the population are studied. Therefore, the sample size of the study included all audit experts and managers in EEU head office and the four districts in Addis Ababa. As there were 41 audit experts in EEU head office and the four districts in Addis Ababa, all were taken as sample respondents on the basis of purposive sampling.

### **3.4 Type and Source of Data**

The study used both primary and secondary data. The primary data was collected from the sample participants through questionnaires. Secondary data was collected from published and unpublished documents, journals/articles and annual reports, to support the facts acquired through primary data. After taking into consideration the number of potential respondents in the sample size along with the information required to meet the research objectives the research instrument is decided on a well-designed questionnaire.

### **3.5 Method of Data Collection**

The main data gathering instruments was questionnaire. Data was collected through self-administered questionnaire prepared based on literature review and the International Standards for the Professional Practice of Internal Auditing to address the research questions. The questionnaire had two parts. Part I, of the questionnaire consisted of demographic information of the respondents, Part II consist of items regarding the variables used to assess the practice of internal audit. The items/statements on the questionnaire use a five-point Likert scale. The Likert

scale was used whereby the respondents asked to rate a particular issue on a scale that ranged from strongly disagree to strongly agree. The rating scale had an even number of choices ranging from a scale of one to five. The scale used in the questionnaire was based on a 5-point Likert scale (with 1= strongly disagree, 2= disagree, 3= neutral, 4=agree, 5= strongly agree) for each close-ended question. The questionnaire was prepared in English language in which the respondents could easily understand. The item in the questionnaire comprises close-ended items. The physical questionnaire was administered to the respondent in their office at the end of their work, whereby questionnaires are handed out to respondents for self-completion and returned to the researcher immediately. Their participation was voluntary and completely anonymous.

### **3.6 Method of Data Analysis**

The collected data has to be changed and interpreted in to meaningful information, figure and statement. So, data was analyzed, processed and interpreted according to the nature of data. Statistical Package for Social Science (SPSS) software version 26 was used to analyze and present the data through the statistical tools used for this study. Descriptive statistics was used to examine the demographic profile of the respondents and the opinion of the respondents on the variables used to assess the internal audit practice.

The result was presented by tables, mean and standard deviation to give a condensed picture of the data. Interpretation of the results of mean and standard deviation the scales were reassigned as follows to make the interpretation easy and clear. 1.00-1.79 = Strongly Disagree, 1.80 – 2.59 = Disagree, 2.60 –3.39 = Neutral, 3.40 –4.19 = Agree and 4.20 –5.00 = Strongly Agree (Best, 1977, as cited by Yonas, 2013).

### **3.7 Ethical Consideration**

Artal and Rubenfeld (2017) defined research ethics as the dos and don'ts when conducting research. They are therefore observed to ensure that harm on research subjects is minimized and benefits are maximized and they involved respecting human dignity and confidentiality. Study participants signed informed consent and the researcher obtained introduction and authorization letter from Addis Ababa University, College of Business and Economics, Department of Accounting and Finance, to show that the researcher is a bona fide student and a research permit from EEU. The researcher ensured that all references in the document were correctly cited in acknowledging the previous researchers. Additionally, the responses were kept confidential and no disclosure shall be made except with the authority of the respondent.

## **CHAPTER FOUR**

### **4 RESULTS AND DISCUSSION**

#### **4.1 Introduction**

The primary concern of this study was to assess the internal audit practice in Ethiopian Electric Utility (EEU) at head office and four district offices in Addis Ababa. This chapter presents the study's quantitative findings based on the pieces of evidence gathered through the descriptive analysis of data obtained from questionnaires. The descriptive analysis presents the frequencies, percentages, means and standard deviations of the data. The data were analyzed using SPSS version 26 and the results are then connected to literature to ascertain whether they are consistent with or are invariant with existing research.

#### **4.2 Response Rate**

Questionnaires were distributed to both the managers and the internal auditors of the Ethiopian Electric Utility (EEU) at head office and four district offices in Addis Ababa. 41 questionnaires were prepared and distributed for both senior managers and internal auditors. All questionnaires, were collected (8 responses from managers, 7 responses from senior internal auditors, 24 responses from junior internal auditors and 2 responses from assistant auditors) giving the response rate of 100%. This shows that, best response rate for this research.

#### **4.3 Demographic Characteristics of the Respondents**

This section describes the participants' demographic information, including gender, level of education, field of study, and service years in EEU and current position in EEU.

##### **4.3.1 Gender of respondents**

As Table 4-1 shows, 33 of the participants (80.5%) were male and 8 (19.5%) were female. This ratio suggests that there are significantly more male than female internal auditors in Ethiopian Electric Utility (EEU). This is an indication that both genders were involved in the study and the finding did not suffer from gender bias.

**Table 4-1: Gender of respondents**

<b>Gender</b>	<b>Frequency</b>	<b>Percent</b>
Male	33	80.5
Female	8	19.5
Total	41	100.0

**Source:** Survey data (July, 2023).

### **4.3.2 Educational level of respondents**

Table 4-2 shows the respondents' levels of education. 35 (85.4%) of the respondents had bachelor's degrees while 6 (14.6%) had a master's degree. This indicates that Ethiopian Electric Utility (EEU) has a well-educated audit staff.

**Table 4-2: Educational level of respondents**

<b>Educational level of respondents</b>	<b>Frequency</b>	<b>Percent</b>
Bachelor Degree	35	85.4
Master Degree	6	14.6
Total	41	100.0

**Source:** Survey data (July, 2023).

### **4.3.3 Respondents field of study**

As Table 4-3 shows, 31 (75.6%) of the respondents had studied accounting, 8 (19.5%) of the respondents had studied management and the rest 2 (4.9%) of the respondents had studied economics. These results suggest that most of the internal audit staff in Ethiopian Electric Utility (EEU) have the required knowledge regarding internal auditing.

**Table 4-3: Respondents field of study**

<b>Field of study</b>	<b>Frequency</b>	<b>Percent</b>
Accounting	31	75.6
Management	8	19.5
Economics	2	4.9
Total	41	100.0

**Source:** Survey data (July, 2023).

### **4.3.4 Service years in EEU**

As shown in Table 4-4, 23 respondents with percentage (56.1%) indicated that they had been working 5-10 years in Ethiopian Electric Utility (EEU). 14 (34.1%) indicated that they had been working for more than 10 years and 4 (9.8%) indicated that they had been working for less than

years in Ethiopian Electric Utility (EEU). These results suggest that internal audit managers and staff in Ethiopian Electric Utility (EEU) have the experience to evaluate the internal auditing.

**Table 4-4: Respondents service years in EEU**

Service years in EEU	Frequency	Percent
< 5 years	4	9.8
5-10 years	23	56.1
> 10 years	14	34.1
<b>Total</b>	<b>41</b>	<b>100.0</b>

**Source:** Survey data (July, 2023).

#### 4.3.5 Current position in EEU

The researcher requested respondents to indicate their position in EEU and find out that the majority of the respondents were Junior Internal auditors with 58.5% (24), 19.5% (8) of the respondents were audit managers, 17.1% (7) were Senior Internal auditors and the remaining 4.9% (2) were Assistant Auditors. This indicates that the respondents participated in this study were considered appropriate and their responses can be used to answer the research questions for the purpose of generalizing the results of the study.

**Table 4-5: Respondents current position in EEU**

Current position in EEU	Frequency	Percent
Managers	8	19.5
Senior Internal auditor	7	17.1
Junior Internal auditor	24	58.5
Assistant Auditor	2	4.9
<b>Total</b>	<b>41</b>	<b>100.0</b>

**Source:** Survey data (July, 2023).

#### 4.4 Reliability Test

To measure the internal consistency of the questioner Cronbach's alpha coefficient reliability test was used. The coefficient has to be between 0 and 1 to label as reliable. The internal consistency of the item is better as the result approaches to 1, which means all the items measures the same variable.

**Table 4-6: Reliability Statistics**

Variables	Cronbach's Alpha	N of Items
Audit Charter	.979	4
Independence and Objectivity of Internal Audit	.983	6

Proficiency and Due Professional Care of Internal Audit Team	.974	3
Scope of Work of Internal Auditing	.986	3
Performance of the Audit Work	.979	5
Management Support	.990	5
ERP Systems in Internal Auditing	.958	6

## 4.5 Descriptive Statistical Analysis of Internal Audit Practice

In this section, the researcher addressed the analysis related to specific objectives like internal audit charter, independence and objectivity, proficiency and due professional care, scope of the audit work, performance of the audit work and management support. Respondents were asked to rate issues related with the variables in a scale of 5-point Likert Scale question that ranges from strongly agree = 5 to strongly disagree = 1.

The study used the mean scores of the variables to measure the extent of the internal audit practices of the institution studied. The interval measure to differentiate the extent of internal audit practices among the variables was computed as  $5-1/5 = 0.8$ . Thus, the mean score ranging within 0.80 differences was used to classify the mean score from strongly disagree to strongly agree, which were represented by “very poorly practiced” up to “very highly practiced”. The table below shows the interpretation of ranges of the mean scores.

**Table 4-7: Interpretation of mean range**

Mean Range	Classification	Interpretation
1.00 - 1.79	Strongly Disagree	Very Poorly Practiced
1.80 - 2.59	Disagree	Poorly Practiced
2.60 - 3.39	Neutral	Moderately Practiced
3.40 - 4.19	Agree	Highly Practiced
4.20 - 5.00	Strongly Agree	Very Highly Practiced

**Source:** Best (1977) as cited by Yonas (2013)

### 4.5.1 The Audit Charter

The first objective of the study was to assess whether the internal audit charter clearly state the IA's responsibility, duty, and scope of activities. With this regard, respondents were asked to rate issues related with internal audit charter in a scale of 5-Point Likert scale statements that ranges from strongly agree = 5 to strongly disagree = 1. The results of the analysis are presented in Table 4-8 below.

**Table 4-8: Descriptive statistics of audit charter**

Statements	N	Mean	Std. Dev.
1. Internal Audit has an approved Internal Audit charter.	41	4.07	0.905
2. Internal audit activity's purpose, authority, and responsibility are formally defined in an internal audit charter.	41	4.05	0.893
3. Internal audit charter is periodically reviewed and presented to senior management and the board for approval.	41	3.80	1.03
4. The Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards, and the Definition of Internal Auditing are recognized in the charter.	41	3.83	1.07
<b>Overall Mean and SD</b>		<b>3.94</b>	<b>0.948</b>

*Source: SPSS output from survey data (July, 2023)*

As showed in Table 4-8 above, the result of analysis finds that the mean values of the 4 statements regarding the internal audit charter in EEU was 4.07, 4.05, 3.80 and 3.83 respectively. And also, the overall average mean value was found to be 3.94. This implies that respondents' response was agreed about the internal audit charter in EEU. In addition, the standard deviation of (Std. Dev. = 0.948) indicates that the responses of the respondents were not far from the agree level. Therefore, regarding the internal audit charter, the practice of EEU can be considered as high.

The findings of this study are consistent with the study conducted by (W/Senbet, 2019), which uses similar statements except statement 1, on Assessment of Internal Audit Practices in Oromia Regional State: The Case of Selected Public Sectors, reported mean values in the range of 3.40 - 4.19 that internal audit charter related standards conformance level was considered as good. Another study conducted by (Abebe, 2020) on Factors Determining the Internal Audit Effectiveness in Ethiopia: The case of FDRE Ministries reveled the existence of a well-defined Internal Audit charter in FDRE ministers.

The implication is that having a charter establishes the internal audit activity's position within the organization, including the head of internal audit's reporting lines, authorizing access to records, personnel, and physical properties relevant to the performance of engagements; and also defining the scope of internal audit activities.

## 4.5.2 Independence and Objectivity of Internal Audit

According to the standards for the professional practice formulated by the institute of internal auditors, the internal audit activity must be independent, and internal auditors must be objective in performing their work. With regard to this, the second objective of the study was to determine the extent of internal auditors' independence and objectivity. Respondents were asked to rate 6 statements related with independence and objectivity of internal audit in a scale of 5-point Likert scale that ranges from strongly agree = 5 to strongly disagree = 1. The results of the analysis are presented in Table 4-9 below.

**Table 4-9: Descriptive statistics of Independence and objectivity**

Statements	N	Mean	Std. Dev.
1. Internal auditors freely decide the scope, time and extent of auditing procedure based on audit standard & the institution policies.	41	2.59	1.26
2. Internal Auditors in my organization freely access necessary documents, information and data for internal audit work	41	2.32	1.08
3. Internal auditors in my organization perform the auditing activities without any interference from anybody and without any influence.	41	2.56	1.18
4. Internal auditors in my organization are encouraged to implement audit recommendation to promote value added activities & to strength internal audit function.	41	2.32	1.23
5. Internal auditors in my organization have an impartial, unbiased attitude and avoid any conflict of interest.	41	3.17	1.34
6. Internal auditors in my organization conclude their findings based on objective evidence.	41	2.85	1.37
<b>Overall Mean and SD</b>		<b>2.63</b>	<b>1.20</b>

*Source: SPSS output from survey data (July, 2023)*

As showed in Table 4-9 above, the result of analysis finds that the mean values of the 6 statements regarding internal auditors' independence and objectivity in EEU were 2.59, 2.32, 2.56, 2.32, 3.17 and 2.85, respectively. The overall average mean score for internal audit independence and objectivity was found to be 2.63. Which implies that majority of the respondents remain neutral regarding the practice of independence and objectivity of internal auditors. In addition, the standard deviation of (Std. Dev. = 1.20) indicates that the responses of the respondents were not far from the neutral level. Therefore, regarding internal audit independence and objectivity, the practice can be considered as moderate. That is, internal audit is not sufficiently independent in performing its professional obligations and duties. This may be

due to that there are no established safeguards against threats to internal auditors’ independence and objectivity. The implication is that lack of management’s understanding on the importance of internal auditors being independent of any management interference can adversely affect the function of IA, in terms of objectivity and identification of areas that require quality improvement. The findings of this study are consistent with the study conducted by (MENGESHA, 2021) on internal audit practice the case of KAKI PLC Addis Ababa, revealed that internal audit is not sufficiently independent in performing its professional obligations and duties.

**4.5.3 Proficiency and Due Professional Care of Internal Audit Team**

The International Standards for Professional IA Practice (ISPPIA) emphasize the need of an IA team that possesses the essential knowledge, skills, and other competences to carry out their obligations. With regard to this, the third objective of the study was to examine the internal auditors’ level of proficiency and due professional care of internal audit team. Respondents were asked to rate 3 statements related with internal auditors’ level of proficiency and due professional care in a scale of 5-point Likert scale that ranges from strongly agree = 5 to strongly disagree = 1. The results of the analysis are presented in Table 4-10 below.

*Table 4-10: Descriptive statistics proficiency of internal audit team*

Statements	N	Mean	Std. Dev.
1. Internal auditors possess the knowledge, skills, and other competencies needed to perform their individual responsibilities.	41	4.17	0.998
2. Internal auditors always apply the care and skill expected of a reasonably prudent and competent internal auditor.	41	4.12	0.927
3. Internal auditors enhance their knowledge, skill, and other competencies through continuing professional development.	41	3.27	1.14
<b>Overall Mean and SD</b>		<b>3.85</b>	<b>1.00</b>

Source: SPSS output from survey data (July, 2023)

As showed in Table 4-10 above, the result of analysis finds that the mean values of the 3 statements regarding the proficiency of the internal audit team in EEU were 4.17, 4.12 and 3.27 respectively. The overall mean value of respondents’ response regarding internal auditors’ level of proficiency and due professional care was found to be 3.85. This is under agree degree level. In addition, the standard deviation of (Std. Dev. = 1.00) indicates that the responses of the

respondents were not far from the agree level. So, regarding internal auditors' level of proficiency and due professional care, the practice of EEU can be considered as high. That is, internal auditors demonstrate the knowledge, skills and experience required of them to make the key audit judgements that they have to make in the course of their work to achieve the objective of the internal audit. This may be because the management take inventory of the skills needed to achieve the internal audit plan and develop a strategy to recruit internal auditors with the required competencies.

The result of this study is in line with the study conducted by (AHMED, 2020) in Commercial banks of Ethiopia which revealed a weakness in providing trainings (capacity building) to the internal auditors. The implication is that the management need to empower the internal audit staff members in terms of skills and expertise appropriate to their job, and the internal auditors should receive consistent training and skill development they need in order to deal with the challenges in the course of their work.

#### 4.5.4 Scope of the Audit Work

According to IPPF standard (2017), the internal audit activity must evaluate and contribute to the improvement of the organization's governance, risk management, and control processes using a systematic, disciplined, and risk-based approach. Internal audit credibility and value are enhanced when auditors are proactive and their evaluations offer new insights and consider future impact. With this regard, the fourth objective of the study was to examine the scope of the internal audit work. Respondents were asked to rate 3 statements related with scope/nature of the internal audit work in a scale of 5-point Likert scale that ranges from strongly agree = 5 to strongly disagree = 1. The results of the analysis are presented in Table 4-11 below.

**Table 4-11: Descriptive statistics of scope of audit work**

Statements	N	Mean	Std. Dev.
1. The internal audit department assesses the organization governance processes to promote appropriate ethics and values and ensure effective organizational performance and accountability.	41	3.27	1.34
2. The internal audit department evaluates the effectiveness and the improvement of risk management processes.	41	3.39	1.24
3. The internal audit department evaluates the adequacy and effectiveness of controls in responding to risk within the organization governance, operation and information system.	41	3.27	1.29
<b>Overall Mean and SD</b>		<b>3.31</b>	<b>1.27</b>

Source: SPSS output from survey data (July, 2023)

As showed in Table 4-11 above, the result of analysis finds that the mean values of the 3 statements regarding the scope of the internal audit work in EEU were 3.27, 3.39 and 3.27, respectively. The overall mean value of respondents' response regarding scope of the internal audit work was found to be 3.31 which fall in the range of 2.60 – 3.39. That is, majority of the respondents agree with the statements indicating the scope of the internal audit work. In addition, the standard deviation of (Std. Dev. = 1.27) indicates that the responses of the respondents were not far from moderate level. Therefore, regarding the scope of the internal audit work, the practice of EEU can be considered as moderate. That is, sound risk management and control processes are not in place and functioning properly to achieve organizational objectives. The reason can be that the scope is wide and can seek to determine fraud and wasteful processes that are a hindrance to the stated audit objectives.

The findings of this study are in line with the study conducted (W/Senbet, 2019) on Assessment of Internal Audit Practices in Oromia Regional State: The Case of Selected Public Sectors has also revealed that the organizations' corporate governance, evaluation of the risk management process and assisting in maintaining effective internal control system in the organization activities were well done by internal audit units of the selected sectors. The implication is that internal auditors assist the management by examining, evaluating, reporting, and recommending improvements on the adequacy and effectiveness of management's risk and control processes.

**4.5.5 Performance of the Audit Work**

The fifth objective of the study was to evaluate the level of the performance of the internal audit work. Respondents were asked to rate 5 statements related with performance of the internal audit work in a scale of 5-point Likert scale that ranges from strongly agree = 5 to strongly disagree = 1. The results of the analysis are presented in Table 4-12 below.

*Table 4-12: Descriptive statistics of performance of the audit work.*

Statements	N	Mean	Std. Dev.
1. The internal audit department plan, control and record the work of internal audits, and internal auditors use these processes to determine audit priorities, set objectives and audit resources.	41	3.85	0.989
2. The head of internal audit department supervises the entire auditing process, from planning to completion	41	3.44	1.25
3. All the audit works are documented in the audit working papers including the evidence of follow-up procedures and disposition of deficiency findings	41	3.71	1.03

4. The conclusions drawn within the audit reports are backed by comprehensive supporting documents and also competent, sufficient, and relevant evidence	41	3.73	0.922
5. The chief audit executive establishes a follow-up process to monitor and ensure that audit recommendations have been effectively implemented	41	2.63	1.18
<b>Overall Mean and Std. Dev.</b>		<b>3.47</b>	<b>1.04</b>

**Source:** SPSS output from survey data (July, 2023)

As showed in Table 4-12 above, the result of analysis founds that the mean values of the 5 statements regarding the performance of the internal audit work were 3.85, 3.44, 3.71, 3.73 and 2.63, respectively. The overall mean value of respondents' response regarding performance of the internal audit work was found to be 3.47 which fall in the range of 3.40 – 4.19. That is, majority of the respondents agree with the statements indicating the performance of the internal audit work. In addition, the standard deviation of (Std. Dev. = 1.04) indicates that the responses of the respondents were not far from the agree level. Therefore, regarding the performance of the internal audit work, the practice of EEU can be considered as high. That is, internal auditors evaluate the economy, efficiency and effectiveness of the organizations' operations so as to assure management that its strategic objectives are being carried out. However, the follow-up process to monitor and ensure the implementation of audit recommendation needs improvement.

The findings of this study are in line with the study conducted by (DESSYE, 2019) on internal audit practice and its effect on company performance in the case of Ethiopian Shipping and Logistics Service Enterprise which report the overall mean of performance of the internal audit work being 3.76 with a standard deviation of 0.65. Another study conducted by (AHMED, 2020) on Assessment of Internal Audit Practice in Commercial Banks in Ethiopia: The Case of United Bank S.C also revealed the existence of poor practice of management's commitment in providing greater attention to the implementation of internal audit recommendations. The implication is that, management lacks commitment in identifying areas for improving performance and implementing the recommendations of an internal audit unit.

#### **4.5.6 Management Support**

Management support for internal audit unit is an important factor that determines the extent to which the internal audit unit can fulfill its objectives. With this regard, the sixth objective of the study was to assess the level of management support for internal audit unit. Respondents were asked to rate 5 statements related with management support in a scale of 5-point Likert scale that

ranges from strongly agree = 5 to strongly disagree = 1. The results of the analysis are presented in Table 4-13 below.

**Table 4-13: Descriptive statistics of management support**

Statements	N	Mean	Std. Dev.
1. Internal auditors in my organization obtain sufficient resources to execute their duties and responsibilities.	41	2.37	1.26
2. Internal auditors in my organization have full access to record and information they need to conduct audit task	41	2.56	1.34
3. Senior management hire trained and experienced staff and provide continuous training and development to internal audit staff to improve their skill	41	2.34	1.20
4. Internal audit gets sufficient budget to carry out its task in my organization.	41	2.61	1.48
5. Internal auditors encouraged to introduce with new technology, policy and procedure when it is necessary.	41	2.54	1.47
<b>Overall Mean and Std. Dev.</b>		<b>2.48</b>	<b>1.33</b>

**Source:** SPSS output from survey data (July, 2023)

As showed in Table 4-13 above, the result of analysis finds that the mean values of the 5 statements regarding management support were 2.37, 2.56, 2.34, 2.61 and 2.54, respectively. The overall average mean value of management support for internal audit in EEU is 2.48 which fall in the range of 1.80 – 2.59. That is, majority of the respondents disagree with the attributes of the management support. In addition, the standard deviation of (Std. Dev. = 1.33) indicates that the responses of the respondents were not far from the disagree level. Therefore, regarding management support for internal audit, the practice of EEU can be considered as poor. That is, there are restrictions on the auditors’ authority in the operational activities. This may be because the senior management may not consider internal audit as an important aspect and there may arise a conflict of interests.

The findings of this study are in line with the study conducted by Mengesha (2021) on internal audit practice the case of KAKI PLC Addis Ababa, Ethiopia which report the overall mean of management support being 2.40. however, the finding of this study is in contrast to the study conducted by Alemu (2022) on Assessment of Internal Audit practice efficiency in Private Commercial Banks of Ethiopia, revealed that management gives the necessary support to internal auditors retained at private commercial banks. The implication is that lack of management support and commitment to the organization’s internal audit department, particularly guaranteeing the independence of the internal auditors, and sufficiently resourcing the internal

auditing department may adversely affect overall effectiveness of the internal audit function of the organization.

**4.5.7 ERP Systems in Internal Auditing**

ERP is a system that integrates all organizational functions, including human resources, finance, manufacturing, sales, and distribution (Madani, H. H., 2015). So that new challenges arise for internal control which results in internal auditor functions. This ERP can eliminate human functions with data flow processes that can improve security and more accurate information. With this regard the seventh objective of the study was determine the role of using ERP on the practice of the internal auditor's work. Respondents were asked to rate 6 statements related with ERP system in a scale of 5-point Likert scale that ranges from strongly agree = 5 to strongly disagree = 1. The results of the analysis are presented in Table 4-14 below.

*Table 4-14: Descriptive statistics of ERP system in internal auditing.*

<b>ERP Systems in Internal Auditing</b>	<b>N</b>	<b>Mean</b>	<b>Std. Dev.</b>
1. ERP improve the internal audit performance	41	3.98	0.651
2. An effective and fast audit processes can be done using ERP system.	41	4.24	0.734
3. ERP keeps and doesn't change the overall objective and scope of audit	41	3.37	1.11
4. ERP systems assist in the reduce of audit report latency.	41	3.83	0.803
5. ERP systems reduce fraud because it adopts continuous audit functions.	41	3.20	1.05
6. ERP enables auditor to make the best decisions at the lowest possible cost and in the shortest amount of time.	41	3.51	0.925
<b>Overall Mean and Std. Dev.</b>		<b>3.69</b>	<b>0.815</b>

Source: SPSS output from survey data (July, 2023)

As showed in Table 4-14 above, the result of analysis founds that the mean values of the 6 statements regarding the ERP system in the internal audit was 3.98, 4.24, 3.37, 3.83, 3.20 and 3.51, respectively. The overall average mean value of the role of ERP systems in internal auditing in EEU was found to be 3.69 which fall in the range of 3.40 – 4.19. That is, majority of the respondents agree with the attributes of ERP systems. In addition, the standard deviation o (Std. Dev. = 0.815) indicates that the responses of the respondents were not far from the agree level. However, effort is required to ensure that the overall objective and scope of audit are kept while using the ERP system.

The finding of this study is supported by the study conducted by (SALUR, 2021) on The Impact of Enterprise Resource Planning (ERP) on the Audit in the Context of Emerging Technologies which revealed that the advantages of using ERP system in the auditing process outweigh its disadvantages. The result suggests that the use of ERP systems contributes for the good practice of internal auditing. This is because information technology increases the speed of processing transactions, accuracy and the competitive advantage it offers in terms of operational efficiency, cost savings and reduction of human errors.

## CHAPTER FIVE

### 5 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 Summary of Findings

Based on the results of the data analysis presented in the previous chapter, the major findings are summarized below.

The results of the descriptive statistics presented in Table 4-7 showed that the four statements regarding the internal audit charter had mean values indicating that most of the respondents agree with the statements. The overall average mean value of the internal audit charter was found to be 3.94 which indicate high level of practice regarding the standards expected of the internal audit charter.

The results of the descriptive statistics presented in Table 4-8 showed that the first statement “internal auditors freely decide the scope, time and extent of auditing procedure based on audit standard and the institution policies”, had mean value of 2.59 indicating most of the respondents were disagreed. The second statement “internal auditors in my organization freely access necessary documents, information and data for internal audit work”, had mean value of 2.32, indicating that most of the respondents were disagreed. The third statement, “internal auditors in my organization perform the auditing activities without any interference from anybody and without any influence”, had mean value of 2.56 indicating that most of the respondents were disagreed. The statement “internal auditors in my organization are encouraged to implement audit recommendation to promote value added activities and to strength internal audit function”, had mean value of 2.32, indicating that most of the respondents were disagreed. The fifth statement, “internal auditors in my organization have an impartial, unbiased attitude and avoid any conflict of interest”, had mean value of 3.17 indicating that most of the respondents were neutral. The sixth statement, “internal auditors in my organization conclude their findings based on objective evidence”, had mean value of 2.85, indicating that most of the respondents were neutral. The overall average mean score for internal audit independence and objectivity was 2.63 indicating that most of the respondents were neutral and the practice was considered as moderate regarding independence and objectivity of internal auditors.

The results of the descriptive statistics presented in Table 4-9 showed that the statement, “internal auditors possess the knowledge, skills, and other competencies needed to perform their

individual responsibilities”, had mean value of 4.17 indicating that most of the respondents were agreed. The second statement, “internal auditors always apply the care and skill expected of a reasonably prudent and competent internal auditor”, had mean value of 4.12 indicating that most of the respondents were agreed. The third statement, “internal auditors enhance their knowledge, skill, and other competencies through continuing professional development”, had mean value of 3.27 indicating that most of the respondents were agreed. The overall mean value of internal auditors’ level of proficiency and due professional care was 3.85 indicating that most of the respondents were agreed and the practice was considered as high regarding proficiency and due professional care of internal auditors.

The results of the descriptive statistics presented in Table 4-10 showed that the first statement, “the internal audit department assesses the organization governance processes to promote appropriate ethics and values and ensure effective organizational performance and accountability”, had mean value of 3.27 indicating that most of the respondents were neutral. The second statement, “the internal audit department evaluates the effectiveness and the improvement of risk management processes”, had mean value of 3.39 indicating that most of the respondents were neutral. The third statement, “the internal audit department evaluates the adequacy and effectiveness of controls in responding to risk within the organization governance, operation and information system”, had mean value of 3.27 indicating that most of the respondents were neutral. The overall mean value of respondents’ response regarding scope of the internal audit work was 3.31 indicating that most of the respondents were neutral regarding the scope of the internal audit work and the practice can be considered as moderate.

The results of the descriptive statistics presented in Table 4-11 showed that the first statement, “the internal audit department plan, control and record the work of internal audits, and internal auditors use these processes to determine audit priorities, set objectives and audit resources”, had mean value of 3.85 indicating that majority of the respondents were agreed. The second statement, “the head of internal audit department supervises the entire auditing process, from planning to completion”, had mean value of 3.44 indicating that most of the respondents were agreed. The third statement, “all the audit works are documented in the audit working papers including the evidence of follow-up procedures and disposition of deficiency findings”, had mean value of 3.71 indicating that most of the respondents were agreed. The fourth statement, “the conclusions drawn within the audit reports are backed by comprehensive supporting documents and also competent, sufficient, and relevant evidence”, had a mean value of 3.73

indicating that majority of the respondents were agreed. The fifth statement, “the chief audit executive establishes a follow-up process to monitor and ensure that audit recommendations have been effectively implemented”, had mean value of 2.63 indicating that most of the respondents were neutral. The overall mean value of regarding the performance of the internal audit work was 3.47 indicating that majority of the respondents were agree with the statements indicating the performance of the internal audit work and the practice was considered as high.

The results of the descriptive statistics presented in Table 4-12 showed that the first statement, “internal auditors obtain sufficient resources to execute their duties and responsibilities” had mean value of 2.37 indicating that majority of the respondents were disagreed. The second statement, “internal auditors in my organization have full access to record and information they need to conduct audit task”, had mean value of 2.56 indicating that most of the respondents were disagreed. The third statement, “senior management hire trained and experienced staff and provide continuous training and development to internal audit staff to improve their skill”, had mean value of 2.34 indicating that most of the respondents were disagreed. The fourth statement, “internal audit gets sufficient budget to carry out its task in my organization”, had mean value of 2.61 indicating that most of the respondents were neutral. The fifth statement, “internal auditors encouraged to introduce with new technology, policy and procedure when it is necessary”, had mean value of 2.54 indicating that majority of the respondents were disagreed. The overall average mean value of management support for internal audit was 2.48 indicating that majority of the respondents disagree with the attributes of the management support and the practice was considered as poor.

The results of the descriptive statistics presented in Table 4-13 showed that regarding the first statement, “ERP improve the internal audit performance”, the mean value was 3.98 indicating that majority of the respondents agree that ERP improve the internal audit performance. The second statement had mean value of 4.24 indicating that most of the respondents were strongly agree that effective and fast audit processes can be done using ERP system. The third statement had mean value of 3.37 indicating that most of the respondents remain neutral whether ERP keeps and doesn't change the overall objective and scope of audit. The fourth statement had mean value of 3.83 indicates that majority of the respondents agree with the statement “ERP systems assist in the reduce of audit report latency”. The fifth statement had mean value of 4.24 indicates that most of the respondents were strongly agree that effective and fast audit processes can be done using ERP system. The mean value of the sixth statement was found to be 3.51

indicating that most of the respondents agree that ERP plays a great role to make best decisions at the lowest possible cost and in the shortest amount of time. The overall average mean value of the role of ERP systems in internal auditing was found to be 3.69 which indicates that majority of the respondents agree with the attributes of ERP systems and it contributes for the good practice of internal auditing.

## **5.2 Conclusion**

The main objective of this study was to assess the internal audit practices in Ethiopian Electric Utility (EEU) head office and the four district offices in Addis Ababa. Based on the findings of the analysis, the study concluded that having a good internal audit charter establishes the internal audit activity's position within the organization, including the head of internal audit's reporting lines, access to records, people and property, and the scope of its activities. Continuous professional development to enhance the knowledge, skill, and other competencies of internal audit staff is also important for the practice of internal audit function. Lack of management's understanding on the importance of internal auditors being independent of any management interference can adversely affect the function of IA, in terms of objectivity and identification of areas that require quality improvement. Independence of internal audit being one of the most important ingredients of an effective internal audit function it has to be practiced at the highest level, i.e., for the response of strongly agree and agree category of auditors. Without sound risk management and control processes being not in place and functioning properly makes it difficult to achieve organizational objectives.

The study finding indicated that evaluating the economy, efficiency and effectiveness of the organizations' operations so as to assure management that its strategic objectives are being carried out. Insufficient resources and lack of access to record and information by the internal auditors to execute their duties and responsibilities adversely affect the practice of the internal audit work. This supports the viewpoints that in the absence of support from management, the scope of internal audit work and internal audit resources will be limited which will make internal audits not independent (Alzeban, A. & Gwilliam, D., 2014) The study finding indicated that the use of ERP systems contributes for the good practice of internal auditing in Ethiopian Electric Utility (EEU) head office and the four district offices in Addis Ababa. However, there exists doubt whether the overall objective and scope of audit are kept and fraud can be reduced through the continuous audit functions while using the ERP system.

### **5.3 Recommendation**

Based on the analysis and subsequent findings from the study, it is recommended that internal audit needs to have a plan in place with clear objectives and expectations for the audit with determined personnel being responsible for each task within the audit and how accountability will be held. The internal audit must be carried out according to applicable regulations and standards which includes having all audit documents updated regularly and documenting any changes to the process or policies. It is also important to stay informed about new laws, regulations and guidelines that maintain a compliant system and ensure that audits meet the highest standards. The organization must prioritize and foster a culture that values objectivity and independence in internal audit through the establishment of clear policies, appropriate training, unrestricted rights of access to all information and records to support the internal audit function. Regular monitoring and evaluation processes should be implemented to assess the internal audit activities and address any potential threats to objectivity and independence. The organization has to facilitate the internal audit works by allocating sufficient budget and recruiting more adequate and competent internal auditors. It is also important to invest in the right technology that are easy to use, secure and compatible with existing systems to strengthen the internal audit practice by reducing manual work for auditors, reduce costly errors and eliminate tasks that are time-consuming and low-value. In general, the practice of internal auditing in Ethiopian Electric Utility (EEU) head office and the four district offices in Addis Ababa can be considered as high.

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**Appendix I**  
**ADDISABABA UNIVERSITY**  
**COLLEGE OF BUSINESS AND ECONOMICS**  
**DEPARTMENT OF ACCOUNTING AND FINANCE**

**Questionnaire for Internal Audit staffs of Ethiopian Electric Utility (EEU)**

**Dear Participants:**

The objective of this Questionnaire is to gather firsthand information that will help to Assess *Internal Audit Practice: the case of Ethiopian Electric Utility (EEU)*. This study is undertaken as a partial requirement for the completion of a **Master's Degree in Accounting and Finance**. All data and information that will be gathered through this Questionnaire will be used for the sole purpose of the research and remains confidential. Therefore, you are kindly requested to respond to the questions with utmost good faith, freely, and to the best of your knowledge. There is no need to write your name on the Questionnaire.

Thank you in advance for your time and kind cooperation.

**Part I: Biographic Information**

**General Instruction:** Please indicate your choice by putting the “√” mark in the bracket.

1. **Gender:** Male (\_\_\_) Female (\_\_\_)
2. **Your field of study:** Accounting (\_\_\_), Management (\_\_\_), Economics (\_\_\_), other specify (\_\_\_\_\_)
3. **Your Current Level of Education:** Diploma (\_\_\_\_\_), Bachelor's Degree (\_\_\_\_\_), Master Degree (\_\_\_\_\_), other specifies (\_\_\_\_\_).
4. **Your Service year in Ethiopian Electric Utility (EEU):** Less than 5 years (\_\_\_), 6 to 10 years (\_\_\_), 11 up to 15 (\_\_\_), 16 up to 20 (\_\_\_), above 20 years (\_\_\_),
5. **The current position hold in this Corporation:** Manager/Supervisor (\_\_\_), Team leader/Assistant (\_\_\_), Senior Internal auditor/Inspector/Officer (\_\_\_), Internal audit officer/Inspector (\_\_\_).

## **Part II: Questions Related to Internal Audit Practice**

Please indicate your degree of agreement or disagreement with the following statements by putting tick mark (√) in the appropriate column.

**Key: 1 = Strongly Disagree; 2 =Disagree; 3 = Neutral; 4 = Agree; 5 = Strongly Agree**

<b>No.</b>	<b>Statements</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>1.</b>	<b>Statements Regarding Internal Audit Charter</b>					
1.1	Internal Audit has an approved Internal Audit charter.					
1.2	Internal audit activity's purpose, authority, and responsibility are formally defined in an internal audit charter.					
1.3	Internal audit charter is periodically reviewed and presented to senior management and the board for approval.					
1.4	The mandatory nature of the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards, and the Definition of Internal Auditing are recognized in the charter.					
<b>2.</b>	<b>Statements Regarding Auditors' Independence and Objectivity</b>					
2.1	Internal auditors freely decide the scope, time and extent of auditing procedure based on audit standard & the institution policies.					
2.2	Internal Auditors in my organization freely access necessary documents, information and data for internal audit work					
2.3	Internal auditors in my organization perform the auditing activities without any interference from anybody and without any influence.					
2.4	Internal auditors in my organization are encouraged to implement audit recommendation to promote value added activities & to strength internal audit function.					
2.5	Internal auditors in my organization have an impartial, unbiased attitude and avoid any conflict of interest.					
2.6	Internal auditors in my organization conclude their findings based on objective evidence.					
<b>3.</b>	<b>Statements Regarding Internal Audit Staff Proficiency and Due Professional Care</b>					
3.1	Internal auditors possess the knowledge, skills, and other competencies needed to perform their individual responsibilities.					
3.2	Internal auditors always apply the care and skill expected of a reasonably prudent and competent					

	internal auditor.					
3.3	Internal auditors enhance their knowledge, skill, and other competencies through continuing professional development.					
<b>4.</b>	<b>Statements Regarding Scope of Internal Audit Work</b>					
4.1	The internal audit department assesses the organization governance processes to promote appropriate ethics and values and ensure effective organizational performance and accountability.					
4.2	The internal audit department evaluates the effectiveness and the improvement of risk management processes.					
4.3	The internal audit department evaluates the adequacy and effectiveness of controls in responding to risk within the organization governance, operation and information system.					
<b>5.</b>	<b>Statements Regarding Performance of the Audit Work</b>					
5.1	The internal audit department plan, control and record the work of internal audits, and internal auditors use these processes to determine audit priorities, set objectives and audit resources.					
5.2	The head of internal audit department supervises the entire auditing process, from planning to completion					
5.3	All the audit works are documented in the audit working papers including the evidence of follow-up procedures and disposition of deficiency findings					
5.4	The conclusions drawn within the audit reports are backed by comprehensive supporting documents and also competent, sufficient, and relevant evidence					
5.5	The chief audit executive establishes a follow-up process to monitor and ensure that audit recommendations have been effectively implemented					
<b>6.</b>	<b>Statements Regarding Management Support</b>					
6.1	Internal auditors in my organization obtain sufficient resources to execute their duties and responsibilities.					
6.2	Internal auditors in my organization have full access to record and information they need to conduct audit task					
6.3	Senior management hire trained and experienced					

	staff and provide continuous training and development to internal audit staff to improve their skill					
6.4	Internal audit gets sufficient budget to carry out its task in my organization.					
6.5	Internal auditors encouraged to introduce with new technology, policy and procedure when it is necessary.					
<b>7.</b>	<b>Statements Regarding Enterprise Resource Planning (ERP)</b>					
7.1	ERP improve the internal audit performance.					
7.2	An effective and fast audit processes can be done using ERP system.					
7.3	ERP keeps and doesn't change the overall objective and scope of audit					
7.4	ERP systems assist in the reduce of audit report latency.					
7.5	ERP systems reduce fraud because it adopts continuous audit functions.					
7.6	ERP enables auditor to make the best decisions at the lowest possible cost and in the shortest amount of time.					

***Thank you!!!***