

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



**Internal Audit Practices of State Owned Enterprise in Ethiopia**

**By:**

**Rihana Ahmed**

**A thesis proposal submitted to Addis Ababa University College of  
Business and Economics in partial fulfillment of Masters in  
Accounting & Finance**

**March, 2021**

**Addis Ababa, Ethiopia**



**INTERNAL AUDIT PRACTICES OF STATE OWNED  
ENTERPRISE IN ETHIOPIA**

**BY  
RIHANA AHMED**

**ADDIS ABABA UNIVERSITY  
COLLEGE OF BUSINESS AND ECONOMICS  
DEPARTMENT OF ACCOUNTING AND FINANCE**

**MARCH 2021**

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

This is to certify that the thesis prepared by Rihana Ahmed, entitled; Internal Audit Practices of State Owned Enterprises in Ethiopia submitted in partial fulfillment of the requirements for the Degree of Masters of Science in Accounting and Finance complies with the regulations of the University and meets the accepted standards with respect to originality and quality.

Signed by the Examining Committee:

Examiner \_\_\_\_\_ Signature \_\_\_\_\_ Date \_\_\_\_\_

Examiner \_\_\_\_\_ Signature \_\_\_\_\_ Date \_\_\_\_\_

Advisor Wollela Abehodi (PhD) \_\_\_\_\_ Signature \_\_\_\_\_ Date \_\_\_\_\_

\_\_\_\_\_.

Chair of Department or Graduate Program Coordinator

## DECLARATION

I, the undersigned, declare that this thesis is my original work; prepared under the guidance of Dr. Wollela Abehodie. All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

Declared by:

Name: Rihana Ahmed

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Confirmed by Advisor:

Name: Dr. Wollela Abehodie

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

## **ABSTRACT**

*The purpose of this study is to assess the internal audit practices of state-owned enterprises in Ethiopia using the International Professional Practices framework (IPPF) as a benchmark. The study employs a mixed research approach combining survey design, in-depth interviews, and documentary reviews. The survey design, in turn, uses purposive sampling and selects 5 SOE's from a total of 22 in the population. A self-administered questionnaire (122 in total) was distributed to all internal auditors of the 5 SOEs namely, Ethio-telecom, Ethiopian Airlines, Commercial Bank of Ethiopia, Berhan ena Selam Printing Enterprise & Ethiopian Postal Service Enterprise. 105 Completed questionnaires were collected from respondents; this represents a response rate of 86.06 %. The major findings reveals that detailed audit work program is prepared, audit plan is properly implemented, internal audit report are prepared as per the standards, and also the finding discloses quality assurance and improvement program, independence & objectivity of internal audit activities of SOEs were aligned with the IPPF. However gaps were sated regarding due professional care and development there is lack of certification at the level in which the professions demands to be, staff shortages and there is lack of development training programs. In light of the findings, the researcher recommended proper attention needs to be given by top managers for internal audit department, continuous professional developments, and the SOEs need to develop training policy to encourage effective performance.*

**Keywords:** *Internal Audit; Mandatory Guidance Elements; Revised Internal Auditing Standards; State Owned Enterprises; Code of Ethics, Institute of Internal Auditors.*

## **ACKNOWLEDGEMENTS**

First and foremost, I want to thank St. Virgin Mary & her son for endowing me the endurance and courage of going through in my whole life. Next, I would like to forward my sincere thanks and appreciation to my advisor Wollela Abehoide Yesegat (PhD) for her heartfelt exertion, fruitful support, encouragement and guidance in bringing the thesis work to reality. I would like to express my appreciation to my families and friends, for their encouragement and consistent support. Besides, my thanks also go to those who commented on my study and provided their assistance in any form during my thesis work.

## Table of Contents

DECLARATION.....	i
ABSTRACT.....	ii
ACKNOWLEDGEMENTS.....	iii
LIST OF ABBREVIATIONS.....	vi
LIST OF TABLES.....	vii
LIST OF FIGURES.....	viii
CHAPTER 1: Introduction.....	1
1.1. Statement of the Problem.....	2
1.2. Broad Research Objective & Specific Research Questions .....	3
1.3. Scope and limitation of the study .....	4
1.4. Significance of the Study .....	4
1.5. Organization of the study.....	4
CHAPTER 2: Literature Review.....	6
2.1. Theoretical Review .....	6
2.1.1. Definition of Internal Auditing.....	6
2.1.2. Types of Audits Performed by Internal Auditors .....	7
2.1.3. The Performance of the Audit Work.....	10
2.1.4. The Institute of Internal Auditors (IIA).....	10
2.1.5. International Professional Practices Framework (IPPF) .....	11
2.2. Empirical Evidences Review .....	24
2.3. Knowledge Gap & Conclusion .....	30
CHAPTER 3: Research Methodology.....	31
3.1. Broad Objective & Specific Research Questions .....	31
3.2. Research Approach Adopted .....	31
3.2.1. Qualitative Aspect .....	32
3.2.2. Quantitative Aspect .....	33
3.4. Data Analysis & Presentation.....	36

3.5. Conclusion and Relation between Research Questions and the different Data Sources .....	37
CHAPTER 4: Results and Discussion.....	39
4.1. Results.....	39
4.1.1. Qualitative Aspect In depth Interview & Document Analysis.....	39
4.1.2. Quantitative Aspect- Survey Results.....	41
4.2. Discussion .....	54
4.2.1. Internal Audit Activity (IAA).....	54
4.2.2. Objectivity & Independence.....	55
4.2.3. Proficiency & Due professional Care.....	56
4.2.4. Quality Assurance & Improvement Program (QAIP) .....	57
4.2.5. The Code of Ethics .....	58
4.3. Conclusion .....	58
CHAPTER 5: Conclusions and Recommendations.....	60
5.1. Conclusions.....	60
5.2. Recommendations.....	62
Reference.....	63
Appendix 1.....	69

## **LIST OF ABBREVIATIONS**

AC	---	Audit Committee
ASQ	---	American Society for Quality
CAE	---	Chief Audit Executive
FI	---	Financial Institutions
IA	---	Internal Auditor/s
IAA	---	Internal Audit Activities
IAF	---	Internal Audit Function
IAS	---	International Auditing Standards
IIA	---	Institute of Internal Auditors
IIASB	---	International Internal Audit Standards Board
IPPF	---	International Professional Practices Framework
IPPFOC	---	International Professional Practice Framework Oversight Council
ISIA	---	International Standards of Internal Auditing (Standards)
MGE	---	Mandatory Guidance Elements
MOF	---	Ministry of Finance
QAIP	---	Quality Assurance and Improvement Program
SOE	---	State Owned Enterprise
SPSS	---	Statistical Packages for Social Scientists

## LIST OF TABLES

<b>Table 2.1:</b> Summary of the Code of Ethics Rule.....	11
<b>Table 3.1:</b> Number of Returned Questioner from the sample SOs.....	32
<b>Table 3.2:</b> Reliability Statics .....	34
<b>Table 3.3:</b> Link between research questions, and different data sources.....	34
<b>Table 4.1:</b> Respondents Gender & Age.....	37
<b>Table 4.2:</b> Respondents field of study, educational level and Related Certification.....	38
<b>Table 4.3:</b> Respondents position and years of experience.....	39
<b>Table 4.4:</b> Auditing department staffing.....	39
<b>Table 4.5:</b> Internal Audit Objectivity.....	40
<b>Table 4.6:</b> Internal Audit Independency.....	41
<b>Table 4.7:</b> Internal Audit staff Proficiency & Due Professional Care.....	42
<b>Table 4.8:</b> Internal Audit quality assurance & improvement program.....	43
<b>Table 4.9:</b> Managing the Internal Audit Activity.....	44
<b>Table 4.10:</b> Nature of the Audit Work.....	45
<b>Table 4.11:</b> Engagement Planning.....	46
<b>Table 4.12:</b> Performance the Engagement.....	48
<b>Table 4.13:</b> Communicating Result.....	48
<b>Table 4.14:</b> Monitoring Progress.....	50
<b>Table 4.15:</b> The Code of Ethics.....	50

## LIST OF FIGURS

<b>Figure 2.1:</b> International Professional Practices Framework.....	11
--	----

## **CHAPTER 1: Introduction**

The Institute of Internal Auditors (IIA) has evolved the prevalent definition of internal auditing. According to the IIA, an internal audit is an independent, objective assurance and consulting activity designed to add value and improve an enterprise operation. It helps an organization to achieve its strategic objectives by bringing a well-regulated disciplined approach to assessing and refining the effectiveness of governance and control processes for risk management. Internal auditing is becoming an essential internal security mechanism in public financial controls and a means for monitoring and evaluating managerial activities before external evaluation by external auditors. Auditing is a cornerstone of good public sector governance that has unbiased goals & assessments for the community resources to accomplished intended results responsibly and effectively (IIA 2017, p.21).

It used to be that internal auditing in Ethiopia State-Owned Enterprises (SOEs) served as a simple administrative procedure comprised mainly of checking the accuracy of transactions, pre-payment verification, and control, counting assets, and reporting on past events to various type of management but in recent times a combination of forces has led to a silent revolution in the livelihood. Governments seek a higher level of transparency required to demonstrate accountability in public money and efficiency in services, these large and more complex processes required the internal auditors to be more competent and professional to minimize and control the risk.

Effective audit practices in State-Owned Enterprises (SOEs) are very crucial it protects the interests of the citizens, strengthens governance by significantly enhancing the resident ability to hold their public officers accountable. Audit practices entail but are not limited to assurance and advisory services (ranging from financial attestation to performance and operational efficiency). A widened scoop of the audit practice directives would influence the SOE's overall activities. Although auditing practices tend to differ between countries, auditing activities generally involve organizational independence; prescribe unrestricted access to sufficient funding, competent management goal, skilled personnel, support of stakeholders, and professional audit standards (IIA, 2012).

Generally, State-Owned Enterprises are state control, government financing, service motives, public accountability, and autonomous bodies. The main aim of SOEs is to promote economic and social development. They provide the utility of banking, transportation, water

supply, electricity, communication, education, health facilities, and so on to the public. It delivers goods and services to the public at a reasonable price. They help to remove economic inequality (Ministry of Finance (MoF) 2004).

Office of the federal auditor general Ethiopia (2016) reported a case study on Ethiopian public institutions, stated the internal audit recommendations are not afforded enough management attention and support adversely affect the effectiveness of the internal audit. Moreover, lack of mechanisms in place to follow up the implementation of internal audit recommendations; absence of a strategic plan and consistent documentation styles for audit work, lack of resources, poor leadership or internal audit function, absence of appropriate framework to measure Internal Audit Function (IAF) performance, and lack of competent personnel are also some challenges of internal auditors. Internal auditor's independence, deprived audit standard application is another problem.

The remaining part of this chapter presented, statement of the problem, the study objective, the research questions & significance & this followed by the scope and limitation of the research. Finally, the conclusion was present at the end of this chapter.

### 1.1. Statement of the Problem

Living in a dynamic globe, every state-owned enterprise movement, every day, including its culture is under continuous change and improvement. While the complexity of its activities becomes more and more, the internal control system should also be well robust and adequate to protect the interest of the organization and its stakeholder. Today, this controlling activity is supported by an internal audit activity. It helps an organization to achieve its objectives by introducing a systematic, rigorous approach to assess and improve the effectiveness of risk management control and Governance.

The IIA provides internal audit professionals around the world with authoritative Guidance that is organized within the framework of IPPF (International Professional Practice Framework) as mandatory and recommended guidance. Conformity with the established principles is necessary and essential to professional internal audit practices. Effective January 2017, The International Internal Audit Standard Board (IIASB) has released one of the mandatory guidance elements of IPPF, the revised standards of Internal Audit. These standards composed of the code of ethics encompass all mandatory requirements of the IPPF.

In Ethiopia, with respect to internal audit practices of SOEs, there is evidence of gaps. For example, the following studies highlight some of the issues that need further investigation.

- Internal auditing was not practiced to the expectation of international standards by many government organizations of Ethiopia (Yishak, 2013).
- SOEs internal audit function lack essential business knowledge & insight; combined assurance was in its infancy, & there was a high degree of non-compliance with quality assurance & improvement program standards (Radasi & Barack, 2015, p.103).
- Internal audit functions in SOEs face specific challenges; there is a lack of performance auditing in SOEs; methodologies & auditing systems used by outsourced functions differ from those used in & preferred by the SOEs (Radasi & Barack, 2015, p.103).

The above-discussed issues about the internal audit environment coupled with the knowledge gap presented in chapter two necessitated the conduct of this study on “Internal audit practices of state-owned enterprises in Ethiopia”.

## **1.2. Broad Research Objective& Specific Research Questions**

The general objective of the study was to investigate internal audit practices of state-owned enterprises in Ethiopia in light of the requirements of International Professional Practice Framework (IPPF). Based on this broad objective, the following specific research questions (RQs) have been developed.

*RQ1. How is the internal audit practice of selected SOEs in light of the requirements of IPPF (focusing on risk assessment and prioritization, planning, fieldwork, reporting, and follow-up)?*

*RQ2. How is the objectivity & independence of the internal audit practices in selected SOE's in light of the requirements of the framework?*

*RQ3. How is internal audit staff's proficiency (knowledge & skill) and exercise of due professional care as stated in the Attribute standard?*

*RQ4. How is internal audit activity of selected SOE's in maintaining a quality assurance & improvement program that includes both internal & external assessment?*

*RQ5. How is the code of ethics governing the behavior of individuals and organizations in conducting audit activities?*

### **1.3. Scope and limitation of the study**

It would have been good for all SOEs throughout the country to take place in the study but, due to the financial and time constraints scope was limited to Addis Ababa city. 5 SOEs out of 22 were selected purposely by their size. Large SOEs are designated in the sample because large organizations are assumed to have internal audit functions, and they may use sophisticated auditing activities. These SOEs are Ethiopian Airlines, Ethio-Telecom, Commercial Bank of Ethiopia, Ethiopian postal service Enterprise & Berhan ena Selam printing Enterprise.

### **1.4. Significance of the Study**

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

Accordingly, conducting this research was considered benefiting different SOEs, even though those who did not incorporate it in the sample and other stakeholders in different customs. The study results (gaps) identified the internal audit activities that are being undertaken by the selected SOEs against none conformance with the mandatory guidance requirements of the IPPF. In the meantime, it classified weak areas (findings) with their respective recommendations was forward for further improvements and adjustments.

Furthermore, this study adds value to the existing internal audit practices that will conduct in SOEs of Ethiopia by comparing the quality level that is promulgated by IPPF. Besides, this study would benefit potential researchers who will have an interest in the area.

### **1.5. Organization of the study**

Generally, the paper organized into five chapters. The first chapter presented an introduction of the study, a statement of the problem, and continued with the research questions, objective of the study, the significance of the study, the scope of the study, and organization of the paper. The second chapter deals with the literature review and conceptual framework of the thesis. The third chapter contained research methods and methodology, which holds methods

of data collection, data quality assurance, etc. The fourth chapter enclosed the data result, and discussion of the study. The fifth chapter makes conclusions and recommendations based on the findings.

## **CHAPTER 2: Literature Review**

This section reviewed the fundamental theoretical and empirical issues related to internal auditing. Hence, chapter two served as the background for this study by describing concepts, the definition of internal audit. In light of the above, the purpose of this chapter was to review literature related to internal auditing and its determinants. The chapter has three sections. Section 2.1 presented the theoretical aspects related to internal auditing this followed by an empirical review in section 2.2. Finally, conclusions on the literature review and knowledge gaps are presented in section 2.3.

### **2.1. Theoretical Review**

Historically, internal auditing was apparent as being confined to merely ensuring that the accounting and underlying records of an organization's transactions appropriately maintained that the assets management system was in place to safeguard the assets, and also seeing that policies and procedures were in place and properly followed. With changing times, the concept of internal auditing has undergone significant changes concerning its justification, scope of coverage, and approach. In some organizations, the span of modern internal auditing has been broadened from financial aspects, including assessing the value for money, the effectiveness, and risk management governance.

#### **2.1.1. Definition of Internal Auditing**

“In 1978, the Institute of Internal Auditors (IIA) defined internal auditing as:

An independent appraisal activity established within an organization as a service to the organization. It is a control, which functions by examining and evaluating the adequacy and effectiveness of other controls. The objective of internal auditing is to assist members of the organization in the effective discharge of their responsibilities, to this end, internal auditing furnishes them with analyses, appraisals, recommendations, counsel, and information concerning the activities reviewed” (Ali et al, 2007, p. 26).

American Society for Quality (ASQ) describes internal auditing as a first-party audit performed within an organization to measure its strengths and weaknesses against its procedures or methods and external standards adopted by (voluntary) or imposed on (mandatory) the organization. A first-party audit is an internal audit conducted by auditors who A first-party audit is an internal audit conducted by auditors who are employed by the

organization that being audit but who have no vested interest in the audit results (Russell, 2013, p.5).

The modern scope and focus of internal auditing are replicate of the current definition that was formally adopted by the IIA in 1999: An independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The notable difference between the definitions of 1978 and 1999 (as repeated in IIA 2008) is that, the prominence of objectivity in internal audit activities and also the emphasis on the evaluation and improvement in risk management and governance processes. The current definition also contemplates two major internal audit services: assurance and consulting services.

Assurance services, according to IIA (2008, p.2): Internal auditing is conducted by persons within or outside the organization and in diverse legal and cultural environments; within organizations that vary in purpose, size, complexity, and structure. Even though the above differences may affect the practice of internal auditing in each environment, conformance with The IIA International Standards for the Professional Practice of Internal Auditing (Standards) is essential in meeting the responsibilities of internal auditors and the internal audit activity (IIA, 2008, p.1).

### **2.1.2. Types of Audits Performed by Internal Auditors**

A variety of audits performed in reviewing campus 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 day's, 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 Audit:** 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 assets, 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 involves and equipment grants and contracts for physical and financial protection.

### **2.1.3. The Performance of the Audit Work**

Internal audit activities should be performed with a systematic and disciplined approach as presented in the definition of internal auditing. (IIA, 2017) A systematic process of auditing consists of several steps, namely audit planning, examining and evaluating information from fieldwork, reporting findings, and following up the audit Recommendation. (IIA, 2017) These stages are general guidelines provided by the Standards for the internal auditors to carry out the auditing activities. Similarly, Sawyer et al. (2003) stated that internal auditors should follow the Standards by performing several actions. First of all, the head of internal audit has to monitor the entire audit process from planning to completion. Second, all audit work should be documented in the audit work papers, including evidence of follow-up procedures and the disposition of deficiencies. 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 vital 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)

### **2.1.4. The Institute of Internal Auditors (IIA)**

The IIA is an international professional association based in Altamonte Springs, Florida, USA. It was originated in 1941. The IIA is the head of the internal audit function recognized by the global voice. Audit professionals add to organizations offering comprehensive

professional education and development opportunities standards and other professional practices advice and certification program research. In general, members work in the management of internal audit risk, internal control, and audit of information technology, education, and security.

The mission of the Institution of Internal Auditors is to offer dynamic management for the international career of internal auditing activities in support of this mission will included, however will now no longer be restricted to: Advocating and promoting the value in internal audit professionals and to the organizations, Providing complete expert academic and improvement opportunities, and certification program, Researching, disseminating, and selling know how regarding inner auditing and its suitable position in control, danger management, and governance to practitioners and stakeholders.

Globally, the IIA has more than 200,000 members. Members enjoy benefits including local, national, and global professional networking, world-class training; certification; standards and guidance; research; executive development; career opportunities; and more (IIA, 2017). The Institute of Internal Auditors (IIA) consolidates a large volume of standards and guidance for auditing in its International Professional Practices Framework (IPPF). This conceptual framework gives a factor of reference for inner auditors approximately expectancies and duties for experts engaged in auditing, along with necessities for auditors licensed with the aid of using IIA or different character individuals of the organization (Stephen, 2014).

#### **2.1.5. International Professional Practices Framework (IPPF)**

The Global Institute of Internal Auditors has advanced a complete variety of standards, steering, and courses to assist inner auditors around the area of their work. The International Professional Practices Framework (IPPF) has been advanced to organize the whole variety of inner audit steering from IIA Global in a handy way.

##### **2.1.5.1. Recommended Guidance**

Recommended guidance is endorsed via way of means of the IIA over a proper approval process. It describes practices for powerful implementation of the IIA's core principles, the definition of internal auditing, code of ethics, and standards. The advocated factors of the IPPF are: Implementation guidance with help inner auditors in making use of the standards

&supplemental guidance provide detailed processes and procedures for internal audit practitioners.

Cohen & Sayag (2014) assert that for the pointers made with the aid of using internal auditing standards internal auditors should carry out their audit in accordance with internal auditing standards for quality audit work. Additionally, IIA members suggested compliance with these instructions. The practices for the effective implementation of IIA's main principles are described. The IIAs Code of ethics and international standards for the professional practice of international Internal Auditing.

### **2.1.5.2. Mandatory Guidance**

According to Wadesango & Mhaka (2017), mandatory guidance requires auditors to carry out their role objectively and in compliance with accepted criteria for improvement of risk management, control and governance using a systematic and disciplined approach. This is significant not only for compliance with legal requirements, but because the scope of an auditor's duties could involve the evaluation of areas in which a high level of judgment is involved, and audit reports may have a direct impact on the decisions or the course of action adopted by management.

IIA members are required to conform to obligatory guidance. This guidance developed after consultation with members. These are Core Principles, Definition of Internal Auditing, Code of Ethics, and International Standards of internal auditing (IIA, 2017).

#### ***Core Principles***

The Core Principles, taken as whole articulate inner audit effectiveness. For an IAF to be considered operative, all Principles must be present and operating effectively. How an internal auditor, as well as an IAF, demonstrates achievement of the Core Principles may be quite different from organization-to-organization but, failure to achieve any of the Principles implies that an IAA is not as effective as it could be in achieving IA's undertaking.

**Demonstrates integrity:** in easy terms integrity approach doing the proper component and offering honest, goal warranty and advice, even when doing so is uncomfortable or tough and warding off an issue (Norman, 2019).

According to Mayer & Davis (1999) Integrity refers to employees distinguishing that trust referents promote, demonstrate, and adhere to a set of principles and values that finds satisfactory.

**Demonstrates competence and due professional care:** According to Rick et al. (2005) audit should be performed and report with due professional care by persons who have adequate training, experience, and competence in auditing. Due professional care implies the auditor's professional responsibility to fulfill the duties diligently & carefully. Norman (2019) specified there are struggles with demonstrates competence and due professional care whether it is the capacity to hire audit expertise or to staff audits. He clarifies the key indicator should be based on The cap potential of the IA crew to carry out an audit of all tremendous reasserts of hazard, and whether proprietors of these regions of hazard consider the inner has the competence to carry out associated audits, apprehend the issues, examine the adequacy of hazard control and inner control, offer beneficial and treasured optimistic advice, and communicate effectively.

**Is objective and free from undue influence (independent):** As the practice guide states, this is closely associated with the first principle. But this one is more about the chief audit executive (CAE) being able to endure any unfortunate pressure from management, whether in threat assessment, selecting which audits to perform, the staffing of those audits, or how the results are revealed.

According to Baharud et al. (2014), independence and objectivity are some of the characteristics that an auditor should have where the auditor can carry out an audit without bias creeping his/her mind. This is a crucial element in conducting an audit because the auditors can pass their judgment without any bias contributing to the judgment as audit evidence but rather the audit can come up with recommendations from the evidence they themselves obtain in carrying out the audit with independence and objectivity.

**Aligns with the strategies, objectives, and risks of the organization;** according to Sawyer et al. (2003), the strategies, objectives, & risks of the organization have to be aligned for the internal audit function to be effective. Cioban et al. (2015) define that inner auditors should have a clean knowledge approximately the control and inner controls of the organization, a good way to be smooth for them to become aware of and verify dangers related to the

operations of the organization. Since risks have a negative effect on the achievement of the entity the internal audit department has to closely monitor these risks.

According to Lee & Park (2016), one of the important roles of internal auditors is the improvement of risk management activities by helping the management with the identification, assessment, and mitigation of the organization's risks. Rehman et al. (2016) help by outlining that accomplishment of the organizations favored requires the auditors and control to paint collectively and constantly observed up at the application procedure. According to Ali et al. (2014), organizations should have a scheme that provides the makeup of regulation desirable to encourage action on audit guidelines.

**Is appropriately positioned and adequately resourced:** the key is in this discussion, ideally the CAE functionally inform immediately to the board (i.e., the highest level of governance in the organization), which preserves independence by providing the CAE with unrestricted access to address sensitive matters, especially those involving management, that is normally the CEO or as a minimum to a degree that permits the inner audit interest to perform its responsibilities (Norman, 2019). Administratively, the CAE has to document to the very best degree of management, that is normally the CEO or as a minimum to a degree that permits the inner audit interest to perform its responsibilities.

Brown (2017) stated that a control assist is wanted and that with an assist, enough assets are normally allotted for the audit feature and this can make that its audit hints could be implemented. Rehman et al. (2016) also state that to achieve desired desires auditors and management should work together and constantly follow up on the status of the audit guidelines given.

**Demonstrates quality and continuous improvement;** According to Fenton & Neil (2014), the internal auditors are responsible for monitoring the internal control system of the organization and establishing adequate internal control improvement where there is a shortfall in the internal control system of the organization. Internal auditors have the role of reviewing the compliance with the rules and regulations both internal and external. Brown (2014) asserts that the recommendations made by the internal auditors are valuable on the management and improvement of the internal control system and the compliance of rules and regulations by the members of the organization. According to Fadzil et al. (2005) quality

performance review assure whether the organizations objective and goals have been achieved.

**Communicates effectively:** according to (Sawyer et al., 2003) in every situation, internal auditors must recognize and know how to effectively communicate at each different level of communication. Effective auditors must have substantial levels of communication with management. When high levels of communication are developed with management, auditors can acquire knowledge that will significantly support audit evaluations. Fadzil et al. (2005) found that the audit work performance and scope greatly affect the communication and information perspectives of the internal control system.

According to Pickett (2010) communication must be accurate, objective (fair, impartial & unbiased), clear, concise, constructive, helpful to the engagement by lead to improvements, complete, lacking nothing that is essential to the target audit clients, and timely, the audit results should report on time to benefit the decision-makers.

**Provides risk-based assurance;** according to IIA, risk assessment, and maintenance on the risks of today and tomorrow are vital for the success of enterprises. According to Zabihollah (1995), risk assessment requires identification and investigation of both internal and external risks and acceptance of prudent business risk in achieving an entity's objectives, risk assessment assists management and internal auditors to be in control.

According to Jackson & Stent (2010), control risks is a component of the audit risk that relates to a misstatement that could occur in an assertion and that could be material, individually or when aggregated with other misstatements, will not be detected and corrected on a timely basis by the entity's internal control system. Ashouri et al. (2015) assert that the design and implementation of an effective internal control system is the responsibility of management. The authors further explained internal control systems such as that of the internal control system to the attention of management. If management does not get quick action on the recommendations, then the control risk will remain very high. This means that failure by management to implement audit recommendations that have been designed to strengthen the control environment and reduce risk will result in an increase of control risk.

**Is insightful, proactive, and future-focused:** Sawyer and Vinten, (1996) stated internal auditors need to be out in front, leading the business units with regards to the internal control system and also focusing on strategic business objectives. The internal auditors also need to establish themselves as vital cogs in their organizations rather than observers who watch from the periphery and wait for events to impact them. Auditors should be insightful, proactive, and future-focused for the effective implication of the internal audit function. The internal audit activity must appraise and contribute to the development of the organization's governance, threat management, and manipulation procedures through the use of a systematic, disciplined, and threat-primarily based approach. Internal audit credibility and value are enhanced when auditors are proactive and their evaluations offer new insights and consider the future impact (IIA 2017).

**Promotes organizational improvement;** According to IIA, Internal audit strengthens company governance through risk-based totally audit that offer warranty and insight at the techniques and systems that force the business enterprise closer to success. As risks grow and become more complex, internal audits' role is likely to expand in areas such as risk governance, culture and behavior, sustainability, and other non-financial reporting measures.

Rehman et al. (2016) also declared that to achieve desired goals auditors and management should work together and continuously follow up on the status of the audit recommendations given. Management and the workforce should also know the importance of the IAF and its value to the business environment and realize that auditors are not employed to look for mistakes but are there to help management to execute their duties more effectively.

**Figure 2.1: International Professional Practices Framework**



**Source:** Institute of Internal Auditors, 2017

***International Standards for the Professional Practice of Internal Auditing***

Standards for audit and audit-related services are published by the IIA and included attribute, performance, and implementation standards. In general, formal auditing standards recognize that internal auditors also provide services regarding information other than financial reports. They require auditors to carry out their role objective and in compliance with accepted criteria for professional practice, such that internal audit activity will evaluate and contribute to the improvement of risk management not only for compliance with legal requirements, for the reason the scope of auditors duties could involve the evaluation of areas in which a high level of action adopted by management (Wadesango & Mhaka, 2017). It can thus be argued that greater quality of IA work understood in terms of compliance with formal standards, as well as a high level of efficiency in the audit's planning and execution will improve the audit's effectiveness.

Internal auditing is performed in different legal and cultural environments that vary in purpose, size, and complexity and according to individuals inside or outside the organization. While differences may affect the practice of internal auditing in each set in accordance with

international IIA standards for the Professional Practice of Internal Auditing (Standards) is essential in meeting the responsibilities of internal auditors and the IAA. (IIA, 2017)

The Standards, together with the Code of Ethics, encompass all mandatory elements of the IPPF; therefore, conformance with the Code of Ethics and the Standards demonstrates conformance with all mandatory elements of the IPPF.

### ***Revised Standards, Effective January 1, 2017***

The International Internal Audit Standards Board (IIASB) released the revision to the *Standards* following consideration and approval by the International Professional Practice Framework Oversight Council (IPPFOC).

The *Standards* comprise two main categories: Attribute and Performance Standards. Attribute Standards address the attributes of organizations and individuals performing internal auditing. Performance Standards describe the nature of internal auditing and provide quality criteria against which the performance of these services can be measured. Attribute and Performance Standards apply to all internal audit services. The *Standards* apply to individual internal auditors and the internal audit activity. All internal auditors are accountable for conforming with the standards related to individual objectivity, proficiency, and due professional care and the standards relevant to the performance of their job responsibilities. Chief audit executives are additionally accountable for the internal audit activity's overall conformance with the *Standards*.

### ***Attribute Standards***

Attribute *Standards* address the characteristics of organizations and parties performing internal audit activities.

### ***Independence and Objectivity***

The International Standard for the Professional Practices of Internal Auditing (ISPPIA, 2006) defines independence in phrases of freedom from situations that threaten objectivity and the advent of objectivity. Independence allows inner auditors to render unbiased and independent judgments vital to the right behavior of audits. It is finished through organizational reputation and objectivity. The organizational reputation of the internal auditing branch must be enough to permit the accomplishment of its audit responsibilities (Goodwin& Yeo, 2001, p. 108).

According to Manasseh (2004) Internal auditors are unbiased once they render unbiased and impartial judgment with inside the behavior in their engagement. To make certain this independence, satisfactory practices advise the Chief Audit Executive have to record immediately to the audit committee or its equivalent.

According to IIAs, Objectivity is an intellectual mind-set that inner auditors need to keep whilst appearing in engagements. The inner auditor needs to have an impartial, independent mind-set and keep away from conflict-of-hobby situations, as that could prejudice his/her capacity to carry out the obligations objectively. Threats to objectivity have to be controlled on the character auditor, engagement, functional, and organizational levels. Although audit requirements and steering attention specifically to the battle of the hobby as a major threat to auditors' objectivity, a biased mindset is a lot greater shared.

To preserve objectivity, inner auditors have to don't have any non-public or expert involvement with or allegiance to the vicinity being audited; and have to preserve an unbiased and independent attitude in regard to all engagements. Independence and objectivity are vital additives of effective inner audit activity (Stewart and Subramanian, 2010, p. 330).

### ***Proficiency and Due Professional Care***

Internal auditors need to own the knowledge, skills, and different abilities had to carry out their character responsibilities. The CAE Chief Audit government is a senior role inside the organization chargeable for inner audit activities (IIA, 2017).

Technical competence and non-stop schooling are taken into consideration critical for effective IAF. Consistent with this thinking, Gramling and Meyers (1997) discover that certification of internal auditors is perceived as a hallmark of competence. Also, Al-Twajjry et al. (2003) argue that inner auditors couldn't have strength until they own the essential competencies. Given the extensive scope of present-day IA, an IA branch ought to rent inner auditors with several abilities to adopt audits past monetary activity (Flesher & Zanzig, 2000). Furthermore, Butt (1988) and Libby & Frederick (1990) recommend the significance of auditor enjoy in improving auditors knowledge. Similarly, Bonner and Lewis (1990) deliberate years of experience as an indicator of auditors' knowledge and proficiency.

Although these scholars focused on external audits, the concept of expertise applies equally to internal auditors. This is because internal and external audits share a common body of knowledge and largely similar competencies (Krishnamoorthy, 2001).

In parallel Vein et al. (1999, p. 14-15) list the subsequent essential personal attributes to be a successful internal auditor (in addition to technical and professional qualifications, this is a formidable list): (1) fundamental equity & integrity; (2) determination to the organization's interests; (3) reasonable humility; (4) professional poise; (5) empathy; (6) role consistency; (7) curiosity; (8) critical attitude; (9) alertness; (10) persistence; (11) energy; (12) self-confidence; (13) courage; and (14) ability to make sound judgments.

According to (Albrecht et al, 1999, Ratliff, 1996) the greater the professional Qualification of the internal auditors in a given department, defined by the length of their professional training, experience and educational level, the greater the effectiveness of this department.

### ***Quality Assurance and Improvement Program***

Quality assurance standards guarantee that important aspects in the performance of internal audits have been carried out in accordance with the laid down standard. Internal auditors who consistently carry out the quality assurance assessments are guaranteed high-quality audit work if they follow up on the result of such assessments with an aim of improving the quality of their work.

According to The Institution of Internal Auditors (2017), compliance refers to conformity and adherence to policies, plans, procedures, laws, regulations, or other requirements. It is the responsibility of the Chief Audit Executive to ensure that the internal auditing standards are complied with by the audit departments they head.

Gramling et al.(2004, p. 1480) Spotlight that a first-class counting among the inner audit feature and the audit committee additionally works in the direction of offering the IAF with the perfect surrounding and assist device for wearing out its own governance relate activity (e.g. threat assessment, manage assurance, and compliance work).

Requirements of the Quality Assurance and Improvement Program the best warranty and development applications have to consist of each inner and outside exam (IIA, 2017).

Compliance with quality assurance standards means carrying out both internal and external quality assessments (Okibo & Kamau, 2012, p. 115). The nice warranty and development application need to encompass each inner and outside check. Ongoing tracking is incorporated into the ordinary rules and practices used to manipulate the inner audit hobby and makes use of processes, tools, and statistics considered necessary to assess conformance with the code of ethics and the standards. External exams have to be performed at the least as soon as every 5 years via way of means of a qualified, unbiased assessor or evaluation group from out of the doors of the organization (IIA, 2017).

### ***Performance Standards***

Performance *Standards* describe the nature of internal audit activities and provide criteria against which the performance of these services can be evaluated.

### ***Planning***

The leader audit government has to set up a risk-primarily based totally plan to decide the priorities of the inner audit activity, regular with the organization's goals (IIA).

Audit planning is an essential element of audit work for both inner and external audits. A desirable audit planning will assist the auditor to reduce its risks, enhance audit efficiency, and meet its goal with minimal effort. Auditors are required to put together the right audit plan to make certain that each one audit danger is diagnosed and accurate audit techniques are deployed to come across all danger areas. It is important for the auditors to put together a terrific strategic audit plan (Justin 2013).

According to Mihret & Yismaw (2007), planning is vital for any activity and base for auditors to evaluate the plan and implement whether it accomplish according to the plan or not. It's essential audit activity and includes preparing a strategic plan, and audit programs for individual audit duties.

### ***Reporting***

Hypothetically, the Chief Audit Executive should report functionally to the board or audit committee and administratively to the chief executive officer of the organization and the functional reporting line for the internal audit function is the ultimate source of independence and authority (Rupsys, 2005).

Report functionally means that the governing authority would approve the overall charter of the internal audit function, approve the internal audit risk assessment and related audit plan, & receive communication from the CAE. The CAE determines are necessary, private meeting with the CAE without management present; approve all decisions regarding the appointment. On the other hand, administrative reporting is the reporting relationship within the organization's management structure that facilitates the day-to-day operation of the internal audit function it typically includes, budgeting and management accounting, human resource administration including personal evaluations and composition, internal communication, and information flow, administration of the organization's internal policies and procedures (Gleim, 2002).

Internal auditors must identify, analyze, evaluate, and document sufficient information to achieve the engagement's objectives. Sufficient information is factual, adequate, and convincing so that a prudent, informed person would reach the same conclusions as to the auditor. Reliable information is the best attainable information through the use of appropriate engagement techniques. Relevant information supports engagement observations and recommendations and is consistent with the objectives for the engagement. Useful information helps the organization meet its goals. Internal auditors must base conclusions and engagement results on appropriate analyses and evaluations.

### ***Communicating Result***

In every situation, internal auditors must recognize and know how to effectively communicate at each different level of communication (Sawyer et al., 2003). Effective auditors must have substantial levels of communication with management. When high levels of communication are developed with management, auditors can acquire knowledge that will significantly support audit evaluations. Fadzil et al. (2005) found that the audit work performance and scope greatly affect the communication and information perspectives of the internal control system.

### **Monitoring Progress**

The chief audit administrative must launch and maintain a system to monitor the temperament of results communicated to management. According to Fadzil et al (2005) performance evaluation of the systems recognized compliance with policies, plans, procedures, laws, regulations, and contracts represents the third element of audit activity

described by the standard. Launching the system designed to ensure compliance with such laws, rules, regulations, policies, and a procedure is the responsibility of the administrative manager. The internal audit activity must monitor the disposition of results of consulting engagements to the extent agreed upon with the client.

### **Communicating the Acceptance of Risks**

When the chief audit executive concludes that management has accepted a level of risk that may be unacceptable to the organization, the chief audit executive must discuss the matter with senior management. If the chief audit executive determines that the matter has not been resolved, the chief audit executive must communicate the matter to the board.

The identification of risk accepted by management may be observed through an assurance or consulting engagement, monitoring progress on actions taken by management as a result of prior engagements, or other means. It isn't always the obligation of the CEA got to clear up the risk. According to Zabihollah (1995), risk assessment involves the identification and investigation of both internal and external risks and acceptance of prudent business risk in achieving an entity's objectives, risk assessment assists management and internal auditors to be the governor.

### ***The Code of Ethics (Ethical consideration of Internal Auditing)***

According to Burnaby et al (2009) to Compliance with the IIA's Code of Ethics and Standards is compulsory for those who provide internal auditing services. As the IIA's Code of Ethics must be followed by all those that provide internal auditing services, guidance on how to apply the Standards is provided in the IIA's practice Advisories which are endorsed and strongly recommended by the IIA.

The IIA's code of ethics endorses an ethical culture in the profession of internal auditing. The code is unchanged in the new IPPF. It has two vital components: 1) Principles that can apply to the career and exercise of inner auditing; and 2) Rules of Conduct that describe conduct norms predicted of inner auditors.

The IIA's code of ethics expects internal auditors to apply and uphold the following principles:

**Table 2.1: Principles of the Code of Ethics**

Code of Ethics	Principle
Integrity	The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment.
Objectivity	Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments.
Confidentiality	Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.
Competency	Internal auditors apply the knowledge, skills and experience needed in the Performance of internal auditing services.

**Source: The Institute of Internal Auditors guideline**

## **2.2. Empirical Evidences Review**

Different researches were conducted on the existing practices of internal auditing in Ethiopian & other countries' contexts. The focus of those papers varies in terms of sectors, industries, and institutions. Highlights of some previous research papers on similar subject areas including the aim of the research, the methodology they use, main finding & recommendation more over their strength & weakness are discussed as part of the assessment of previous empirical shreds of evidence and presented as follow:

Ali et al. (2007) examined the role of internal audit in promoting good governance in the State and Local Governments of Malaysia. The study employed an in-depth interview via face-to-face and telephone modes. The findings showed that the internal audit function in the Malaysian State and Local Governmental Bodies had a less satisfactory contribution to the effectiveness of good governance due to lack of audit personnel and lack of requisite skills and competency by the audit personnel. The research recommended that the state & local government need to provide training programs & adequate personnel. The study justifies

everything adequately & uses an appropriate research design, & when we come to its limitation, it doesn't offer sufficient recommendations for the finding.

Paulk (2008) explored the role & use of internal audit function in promoting good corporate governance & the challenges faced by the internal audit functions in SOEs. The study uses exploratory research & data collected via a questioner. The finding of the study showed that the internal audit function plays a significant role in promoting good corporate governance in state-owned enterprises, and the key challenges faced in IAF were an insufficient number of audit staff, management reluctance to implement suggested recommendations & inadequate technical resources & skilled personnel in the audit system. The study recommended that the board & management should offer the necessary support, appreciate the increasing status & role of internal audit in promoting good corporate governance practices. The strength of the study is it provides rich theoretical studies & when we come to the weakness it doesn't include many empirical studies.

Arena and Azzone (2009) conducted a survey study in 153 Italian companies to understand the organizational drivers of internal audit effectiveness. The data collected through a questionnaire. The finding exposed, internal audit effectiveness is influenced by; the characteristics of the IA team, the audit processes and activities, and the organizational links. The paper suggested that IA professional bodies should re-design the set of skills and competencies needed for their profession, consistent with the evolution that is currently taking place in the role of IA within organizations. The strength of this article is that the finding of the study has both practical and theoretical implications & the authors included adequate discussion, analysis & conclusions. The limitation of the study is that the literature review area doesn't discuss vital aspects & issues in its topic area.

Fourie and Erasmus (2010) provided insights in respect to the internal audit activities conducted by the Internal Audit Functions (IAF) of 30 large listed companies in South Africa. The data were collected using questionnaires. The results prove that chief audit executives perceive themselves as performing their internal audit activities according to the internal audit Standards and that they satisfy the needs and expectations of their companies. The limitation of the study is that the research method that they use is not adequately justified. When we come to the strength of it provides enough background information for the audience to understand.

Ali (2011) examined internal auditing and risk assessment in selected public enterprises in Ethiopia. Data were collected using questionnaires and document review. The finding showed that many Ethiopian public enterprises had introduced a proper risk assessment process in their internal audit function, and few enterprises were on the way to introduce the formal risk assessment process. Therefore, the research recommended that internal audit functions that did not incorporate control risk self-assessment will be better off by including it as part of the scope of operation of their respective IAAs for operational risk assessment. The strength of this study is that it discusses all main aspects & issues in its domain (topic area). The limitation of the study is that the qualitative aspect of the study didn't justified clearly.

Kibo&Kamau (2012) explored internal auditors' compliance with quality assurance standards in the case of state-owned corporations in Kenya. The research carried out hypothesis testing using the data collected. The hypothesis of the study was internal auditors in a state-owned corporation do not comply with quality assurance standards. The finding of the study rejected the null hypothesis; it shows that there is generally low compliance with quality assurance standards among most internal audit units in state-owned corporations in Kenya. As a result, the study suggested that there is a need for improvement in compliance with quality assurance standards. The strength of this research is it includes adequate discussion, analysis & conclusions. The limitation is that much literature related to the topic did not compose in the study.

Yisehak (2013) conducted a study to assess the internal audit practices of the Ethiopian financial sector by taking the framework as a benchmark. The data were collected using questionnaires, interviews, and document reviews. The results of the research revealed that the internal audit activities (IAAs) in the Ethiopian financial sector did not comply with the IPPF guidelines that were promulgated by the IIA. As a result, the research recommended that the Internal Audit Activity (IAA) in the Ethiopian financial sector should be value-adding in the areas of risk management, internal control, and governance & also they need to introduce quality assurance and improvement programs. The strength of this research is the authors include adequate discussion, analysis & conclusions. The limitation is that much literature related to the topic did not compose in the study.

Mohamud (2013) carried an article to determine the role of internal audit and to identify the internal control system in selected remittance companies in Somalia. It administers the questionnaire as a research instrument. The findings of the article showed a positive correlation between internal auditing and internal control system. The study suggested that the company needs to sustain the control system to survive and to be successful. Adequate justification & uses appropriate research design is its major strength & one of the limitations of the study is it has a narrow scope.

Hamdu et al. (2014) investigated how major internal audit standards apply in the internal audit departments of selected public enterprises in the East Arsi Zone of Ethiopia. It administers the questionnaire as a research instrument. The result of the study showed that the scope of the internal audit function in the enterprises surveyed did not yet go far from the traditional practices. As a result, it recommended that the Chief Audit Executive (CAE) should be able to develop quality assurance programs. The major weakness of the article is that it doesn't include much literature related to the topic & its strength is that it provided adequate analysis & conclusion.

Radasi & Barac (2015) conducted a study that aimed to obtain an understanding of the role of Internal Audit Functions (IAFs) in SOEs. The research methodology followed was a qualitative one & utilizing a case study method. The findings of the study revealed that IAFs in SOEs face specific challenges: there is a lack of performance auditing in SOEs; methodologies and auditing systems used by outsourced functions differ from those used in and preferred by the SOEs; the issue of repeat findings still recurs; the IAFs lack essential business knowledge and insight; combined assurance is in its infancy, and there is a high degree of non-compliance with quality assurance and improvement platform Standards. The strength of the study is it determines the perceptions, expectations, and challenges experienced by IAFs in SOEs & when we come to the weakness of the study it didn't make a clear recommendation for the finding.

Sakour and Laila (2015) investigated the association between internal audit effectiveness and the four factors linked with the International Standards for Professional Practice of Internal Auditing. Based on the review literature, the study concluded that the pay satisfaction of internal auditors' was one of the most significant variables for the internal audit effectiveness. Finally, the study recommended further empirical researches to investigate the association

between internal audit effectiveness and the four variables (independence, work performance, competence, and scope of work). When we come to the strength of the study, it provides enough background information & explained the variable very well & has a limitation in describing the research approach applied in the study.

Helianti (2016) conducted a study to investigate the internal audit practice of Indonesian public State-Owned Enterprise (SOE). The study uses a case study method. The finding revealed that the audit unit examined has responded to coercive, normative, and mimetic pressures through changes to requirements stated in the internal audit charter found to have a profound impact on the internal audit practice in the public SOE examined. The study recommends improving the independence and objectivity of internal auditors & to recruit new internal auditors as the existing number of internal auditors wasn't enough to tackle all internal audit activities. The study provides both managerial & policy implications very well that are the strengths. When we come to its weakness, the findings are subject to common criticisms of the single case study method such as concerns about methodological rigor, researcher subjectivity, and external validity.

Raymond (2016) conducted a study to analyze the IA effectiveness of State-Owned Enterprises in Ghana. The study adopted the qualitative multiple case study approach. The findings of the study revealed that both internal and external factors have impact on internal audit effectiveness. The external factors are IA effectiveness influenced by government laws and regulatory institutions through coercive isomorphism. Within internal factors like inadequate IAF staff size and resource availability, poor audit relationships, insufficient top management supports impede IA effectiveness in SOEs. The study recommended that top management of the SOEs must exert more attention to the resource needs of the IAFs so that they can render their required services to their respective organizations & the Internal Audit Agency should step up its focus to the IAFs of SOEs. The strength of the study is it provides empirically-rich, context-specific, holistic accounts of the institutional pressures faced by an Indonesian SOE. & when we come to the weakness since the research approach adopted for the study was a qualitative case study approach criticized for its inability to generalize the outcome or findings.

Musah et al. (2018) examined factors that determine internal audit effectiveness among State-Owned Enterprises (SOEs) in Ghana. The study employed the survey approach. The results

of the study showed that the size of the internal audit unit, the competence of internal audit staff, independence of the internal audit unit as well as good relationship between internal and external auditors were significant determinants of internal audit effectiveness. The research advocated, it is essential for related parties the management focus on the main factors so that effective internal audits will accomplish. The strength of this article is that it shows many empirical studies related to the topic that supports the finding.

Tamiru (2018) investigated the internal audit practice of private commercial banks of Ethiopia by taking the mandatory guidance requirements of IPPF as a benchmark. A mixed research approach applies, and the data were collected by using questionnaires and document review. The study revealed that the mandatory guidance requirements conformance level within the selected Private Commercial Banks of Ethiopia did not move up to the expectation that satisfies the IAS. As a result, the researcher recommended that the existing healthy conformance with mandatory Guidance requirements of the IPPF should keep up, and the inadequate has to make improvements until it satisfies the needs of all stakeholders. The strength of this study is it clearly shows the problem statement & it uses appropriate research methods, but when we come to the literature review it only includes local & limited empirical works of literature & it doesn't show much of the qualitative aspect of the study is its limitations.

Bekele (2019) accompanied research with a general objective of assessing the quality of internal audit practices of Oromia regional state; by taking the mandatory guidance elements of IPPF as a benchmark. A mixed research method applies in the study and the data collected by using questionnaires and document review. The finding of the study showed the mandatory guidance requirements conformance level within the Public enterprises of Oromia regional state is below the expectation conformance. As a result, it recommends that the Quality Assurance and Improvement Program (QAIP) standard should care to curve all unsatisfactory conformances of the mandatory guidance requirements by public enterprises in Oromia reign. The strength of this study is it clearly shows the problem statement & it uses appropriate research methods, but when we come to the literature review it only includes local & limited empirical studies & it doesn't show the qualitative aspect of the research is a major weakness.

### **2.3. Knowledge Gap & Conclusion**

Previously very few researches have taken place regarding internal auditing-related topics at various organizations in Ethiopia. By the definition of IIA, internal audit is a profession that is moving from its traditional view (approach) to the new risk-based view. Reding et al. (2013) stated internal audit, today alter from internal auditing yesterday, and before it is under continuous review and progress.

Therefore, as a global guidance-setting body, the IPPF organizes authoritative guidance that is promulgated by the IIA. The IIA provides internal audit professionals worldwide with authoritative guidance organized in the IPPF as obligatory guidance and recommended guidance. Conformance with the principles outlined in mandatory guidance is required and essential for the professional practice of internal auditing. (IIA, 2017)

As a result, as Power (2003, p. 379) suggests very little is known about the practice of internal audit functions in companies. Furthermore, Mihret *et al.* (2012) highlight the importance of investigating the practice of internal audit functions as it would enable researchers to decode motives for adopting particular practices or design features of the internal audit unit. Humphrey (2008) also laments the lack of qualitative research in examining internal audit issues even though audit functions are socially constructed.

It can be seen from the above discussion that the majority of the previous studies concentrated on the effectiveness of internal audits in various organizations in Ethiopia. Very few studies were conducted on the area of assessing internal audit practices in different sectors and industries. As well, to to-date no, researches were done by paying attention to the practices of internal audit in SOEs of Ethiopia by taking the mandatory guidance elements: the revised international auditing standards and the code of ethics as a benchmark.

The review of the literature indicates that studies of internal audit practice in Ethiopia were limited. Mihret (2010, p.16) stated Ethiopia is a developing country in which internal audit practice is apparently not satisfactorily explored. A case study on an Ethiopian Government organization by Mihret and Yismaw (2007) detects limited internal audit effectiveness. This situation highlighted the need for more research to understand the internal auditing practices in Ethiopia.

## CHAPTER 3: Research Methodology

The chapter outlines and explained the methodology employed to achieved the research objective and provided a brief overview of the research approaches, followed by the methodology adopted with proper justification for adopting a certain method, which in turn include sampling design and actual data collection tools, data presentation & analysis techniques used in the study.

### 3.1. Broad Objective & Specific Research Questions

The general objective of the study was to investigate the internal audit practices of state-owned enterprises in Ethiopia in light of IPPF requirements. Based on this broad objective, the following specific research questions (RQs) have developed.

*RQ1. How is the internal audit practice of selected SOEs in light of the requirements of IPPF (focusing on risk assessment and prioritization, planning, fieldwork, reporting, and follow-up)?*

*RQ2. How is the objectivity & independence of the internal audit practices in selected SOE's in light of the requirements of the framework?*

*RQ3. How is internal audit staff's proficiency (knowledge & skill) and exercise of due professional care as stated in the Attribute standard?*

*RQ4. How is the internal audit activity of selected SOE's in maintaining a quality assurance & improvement program that includes both internal & external assessments?*

*RQ5. How is the code of ethics governing the behavior of individuals and organizations in conducting audit activities?*

### 3.2. Research Approach Adopted

Considering the research problem and objective along with the philosophy of the different research approaches, a mixed research approach was initiated to be appropriate for this study. That was, to get the benefits of a mixed-methods approach and to mitigate the bias in adopting only either a quantitative or qualitative approach. This mixed-method research had an objective to review internal audit practices of selected State-Owned Enterprises in Ethiopia by taking the mandatory guidance requirements of IPPF as a benchmark.

This study, therefore, consists of two phases in which a sequential mixed method was characterized by the collection and analysis of qualitative data in the first phase of research followed by the collection and analysis of quantitative data in the second phase. Qualitative

data were used initially to have better insight and gain a richer understanding of the research problem. Moreover, it is believed that using the qualitative method first (unstructured in-depth interview with Audit directors, supervisors/ officers) leads the researcher to consider the internal audit practice of the SOEs besides those determinants found in the literature. The quantitative data provides a supportive role in the study. Weight typically is given to the quantitative data, and the mixing of data occurs when the initial qualitative results inform the secondary quantitative data collection.

Therefore, in this study, the first phase was qualitative where its results were used to inform the quantitative components. In the qualitative aspect, data were collected on internal audit practices by taking the mandatory guidance requirements of IPPF as a benchmark through individual in-depth unstructured interviews.

### **3.2.1. Qualitative Aspect**

This study adopted an unstructured (in-depth) interview since this study was exploratory, in-depth interviews were very helpful to ‘find out what was happening and to seek new insights’ (Robson, 2002, P. 59). It anticipated that this approach provided the researcher a more accurate data that enhanced the findings for this study. An in-depth (unstructured) interview was the primary data collection technique in this study to gather data in qualitative methodologies.

In-depth interview on the internal audit practice of selected SOE’s by taking IPPF as a benchmark conducted with 8 participants from Ethio-telecom, Ethiopian Airlines, Ethiopian Postal Services Enterprise, & Berhan ena Selam Printing Enterprises. The interview was conducted with the internal audit directors& chief audit executives of each SOE’s Ethio-telecom, Ethiopian Airlines, Ethiopian postal services enterprise, & Berhan ena Selam printing enterprise & the interview was conducted at their office. Each interview was conducted individually (independently). Commercial Bank of Ethiopia didn’t get involved in the interview because they didn’t allow the researcher they put restrictions because of corona virus.

In addition to in-depth interviews in order to understand the internal audit practice of selected SOE’s document review were used. Accordingly, a review of internal audit reports, plans, and policy and procedural manuals serve, the IPPF standards-2017, Annual reports, internal

audit charters, and other documents related to internal auditing practices was taken as documentary sources. The most important use of this documentary source was to corroborate and augment evidence from other sources (Yin 1989). Thus, the document examination was used to corroborate the patterns that evolved from the data collected via questionnaires and interviews, so that the validity of the findings could be enhanced.

### **3.2.2. Quantitative Aspect**

The quantitative aspect of the research method was intended to obtain data needed to generalize about the internal audit practices of SOE in Ethiopia. Specifically, the current study employed a survey design.

#### **3.2.2.1. Survey Design**

The quantitative aspect of the research method was intended to obtain data needed to generalize about the internal audit practices of SOE in Ethiopia. Specifically, the current study employed a survey design. Creswell (2003) stated that the purpose of the survey is to generalize a description of trends, attitudes, or opinions from a sample to a population so that inferences can be made on certain characteristics of the attitudes or behavior of this population. Moreover, as noted in Fowler (1984 cited in Tsige 2013) it is also reasonable to use survey designs because of its benefits like the design economy and the rapid change in data collection and attribute identification of a large population of a small group. Therefore, the adoption of survey design in this study was helpful in order to represent a wider population, provide descriptive, inferential, and gather data on a one-shot basis, or gathering of information that will not available from archive records (Yesegat, 2009).

#### ***Population and Sampling Design***

The population considered in this study was the total State Owned-Enterprises that operate in Addis Ababa, and purposely draw a sample from the total to get rich evidence. As per the FDRE Public Enterprises Holding and Administration Agency, there are 22 State-owned enterprises under its jurisdiction.

The sampling design for this population was purposive sampling. Which, 5 large organizations were selected; Ethiopian Air Lines, Ethio-telecom, Ethiopian postal service, Berhan ena Selam printing enterprise, and Commercial Bank of Ethiopia large SOE's included in the sample because large organizations assumed to have internal audit function

and they may use sophisticated auditing activities (Allegrini and D`Onza, 2003). Since the scope and exposure of internal auditing activities at the head- the office is wider, the study employed only internal auditors who are assigned at-home office- Internal Audit (Control) Departments of the selected SOE's. Moreover, in order to satisfy the adequacy and representativeness of the sample, all internal audit staff members (Audit Directors/supervisors/Officers) of the departments/units, 122 in number, were covered in the survey. Accordingly, 43, 37, 27, 8 & 7 staff members of Ethio-telecom, Commercial Bank of Ethiopia, Ethiopian Air Lines, Berhan ena Selam Printing Enterprise & Ethiopian Postal Service Enterprise respectively participated in the survey.

### ***Survey Instrument Design***

The survey instrument that was used in this study, it prepared in the form of a structured self-administered questionnaire that served as the measuring instrument for the study. The survey questionnaire consisted entirely of closed-ended questions designed & it's was constructed by basing on IPPF standards & quantitative evidence gathered from interviews from each selected SOE's to investigate the internal audit practice of the selected SOE's in Ethiopia.

The survey questionnaire has a cover letter that explains the purpose of the study to encourage the candidate's response to the study. The letter also explains the anonymity of the respondents would be maintained. The questionnaire was related to the research objectives of this study. However, the researcher takeout, and modify some questions with regard to their content and to easily describe the statements to the respondents. The questionnaire was organized into two sections. The first part dialed with a respondent profile or general information. The general information section included seven questions that were related to the participant's background and current status. While the second section concern with questions related to internal audit and the mandatory guidance of IPPF which measures variables of the study. The second part holds 41 Likert scale questions that are targeted to analyze the research objective in a manageable, uniform, and objective way. The second part is divided into 3 sections & 9 sub-sections. The first section is composed Likert scale questions which were about Attribute standard & is divided into three subsections with include statements regarding internal audit objectivity & independency, statements regarding internal audit staff proficiency & due professional care & statements regarding Quality Assurance & Improvement Program(QAIP); the second section is composed of 25 Likert scale questions which are about performance standard & is divided into 6 subsections with

include statements regarding managing internal audit activity, a statement regarding nature of the work, a statement regarding engagements planning, a statement regarding communicating result & statement regarding monitoring progress; the third section is composed of four Likert scale questions which are about code of ethics.

Five-point Likert-scales followed through indicating scores like as follows: (1) indicated strongly disagree, (2) disagree, (3) neutral, (4) agree & (5) strongly agree. The numbers indicate in the questions provided to feed ordinary scale measurement and to generate data suitable for quantitative analysis (Boone Jr. & Boone, 2012). The questionnaire was prepared in English.

### *The Conduct of the Survey*

In this study, self-administered, structured questionnaire was used. The structured questionnaires were distributed to 122 employees of the selected SOEs internal audit department, of which 17 failed to respond, and 105 useable questionnaires were obtained (86.06 percent response rate). Internal audit staff members of Ethio-telecom, Commercial Bank of Ethiopia, Ethiopian Airlines, Berhan ena Selam Printing Enterprise & Ethiopian Postal Service Enterprise participated in the survey. The survey was conducted from January 1 to February 5 2021.

**Table 3.1:** Total number of returned questioner from sample SOEs

<b>Name of participant SOEs</b>	<b>Total number of distributed questioner</b>	<b>Total Number of returned questioner</b>
Ethio telecom	42	33
Commercial bank of Ethiopia	37	32
Ethiopian Airlines	27	25
Berhan ena Selam printing enterprises	8	8
Ethiopian postal service	7	7
<b>Total</b>	122	105

**Source:** questionnaire analysis

### **3.4. Data Analysis & Presentation**

For this study, both qualitative and quantitative data analysis methods were used. The thematic analysis used for the qualitative data analysis & the quantitative data analyzed using descriptive statistical tools & analysis progress developed using the Statistical Package for Social Science (SPSS) version (25).

The responses gathered from the questionnaire encode in the SPSS version with a particular code. For simplicity, four quality levels were set as a yardstick to measure the conformance level of Mandatory guidance requirements. These quality levels could summarized as average mean values > 4.0 adequate; b/n 4-3.5= well/fair/good/healthy; > 3.0 = inadequate, and <3.0= poor quality. More precisely, it measures the average distance between the value of the data set and the mean. A low standard deviation designates that the data points tend to be very close to the mean, High standard deviation indicates that the data points spread out over a large range of values.

The collected data presented in the tables using descriptive statistical tools such as percentage, frequencies, average, and Std. Deviation. Finally, based on the data collected analysis part, conclusions and recommendations were forwarded.

#### ***Reliability Test & Validity***

Reliability and validity are concepts used to evaluate the quality of research. They indicate how well a method, technique or test measures something. Reliability is about the consistency of a measure, and validity is about the accuracy of a measure (Fiona, 2020). To carry out the reliability analysis, Cronbach's Alpha ( $\alpha$ ) is the most common measure of scale reliability and a value greater than 0.700 is very acceptable (Cohen and Sayag, 2010). To measure the consistency of the questionnaire particularly the Likert-type scale, the reliability analysis is essential in reflecting the overall reliability of constructs, which it is measuring.

According to the under-listed table, the reliability analysis result of all variables revealed average value of 0.880, and hereby the responses generated for all of the variables used in this research were reliable enough for data analysis. Validity measured by the correlation of the instrument & their results, it measured by the consistency of the outcomes from the qualitative & quantitative aspects results.

**Table 3.2:** Reliability statistics

Reliability Statistics	
Cronbach's Alpha	N of Items
.827	16
.995	25
.820	4

**Source:** Reliability statistics analysis by SPSS.

### 3.5. Conclusion and Relation between Research Questions and the different Data Sources

This chapter presented the broad research objectives, research questions and the method adopted to address them. It also explained the quantitative, qualitative, and mixed research approach with the method adopted for this study. In connection to this, based on the underlying principles of research methods and the research problem mixed methods approach has been chosen as appropriate to this research. Besides, this chapter puts forward the necessary information about the sampling design and the data collection instrument. Finally, the analysis techniques used in this study were presented. The link between research objectives and different data sources on the other hand is presented in table 3.5 below.

**Table 3.3:** Link between research questions, and the different data sources

RQ	Research questions	Data sources
1	<i>How is the internal audit practice of selected SOEs in light of the requirements of IPPF (focusing on risk assessment and prioritization, planning, fieldwork, reporting, and follow-up)?</i>	unstructured in-depth interview, Structured Self-administered questionnaires(Q4.1-Q9.1) Audit manual, procedure & report
2	<i>How is the objectivity &amp; independence of the internal audit practices in selected SOE's in light of the requirements of the framework?</i>	unstructured in-depth interview, Structured Self-administered questionnaires(Q1.1-Q1.2&Q1.3-Q1.4)
3	<i>How is internal audit staff's proficiency (knowledge &amp; skill) and exercise of due</i>	unstructured in-depth interview, structured Self-administered

	<i>professional care as stated in the Attribute standard?</i>	questionnaires (Q2.1- Q2.3)
<b>4</b>	<i>How is internal audit activity of selected SOE's in maintaining a quality assurance &amp; improvement program that includes both internal &amp; external assessment?</i>	unstructured in-depth interview, Structured Self-administered questionnaires (Q3.1-Q3.5& audit manual
<b>5</b>	<i>How is the code of ethics governing the behavior of individuals and organizations in conducting audit activities?</i>	unstructured in-depth interview, Structured Self-administered questionnaires(Q10.1- Q10.4)

## **CHAPTER 4: Results and Discussion**

This chapter presents the results and interpretation of data obtained from different source in the context of the existing knowledge as reviewed in chapter two. As already shown in the first chapter, the broad objective of this research was to investigate the internal audit practices of selected state owned enterprises in light of the requirements of IPPF.

Accordingly, this chapter arranged into three sections; the first section 4.1 presented the results of the qualitative & the quantitative aspect, 4.2. Covered discussions of result, & Section 4.3 holds conclusion.

### **4.1. Results**

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

#### **4.1.1. Qualitative Aspect In depth Interview & Document Analysis**

In depth interview & document analysis was used in qualitative approach. The In-depth interview was conducted with senior internal auditors & chief audit executives of Ethio-telecom, Ethiopian Airlines, Ethiopian postal services enterprise, & Berhan ena Selam printing enterprises which is 8 participants in total. In addition to in-depth interviews document review was taken placed. Accordingly, internal audit manuals & the IPPF standards-2017 documents related to internal auditing practices were taken as documentary sources.

Regarding internal audit activities, the respondents noted that the internal audit performs based on a systematic approach. The systematic process consists of specifically audit planning, examining and evaluating information from fieldwork, report findings, and follow-up. The chief auditors clarify that the head internal auditor monitors the entire audit process from planning to completion & all the audit work documented in the audit work papers, including evidence of follow-up procedures and the disposition of deficiencies. The conclusions drowned within the audit reports are back by comprehensive supporting documents and competent, sufficient, and relevant evidence. In the in-depth interview, the senior auditors specified that the internal auditors used these processes to determine audit priorities, set objectives, and audit resources. & they mentioned the responsibility for

constructing & implementing a risk-based plan is the chief audit executive. The chief audit executive review and adjust the plan, as necessary, in response to changes in the organization's business, risks, operations, programs, systems, and controls. The respondents stated the plan considers the organization's strategies, objectives, and risks relevant to the engagement & Reporting also includes significant risk and control issues, including fraud risks, governance issues, and other matters that require the attention of senior management and the board. The chief audit executive established a follow-up process to monitor and ensure that management actions have well implemented.

Concerning objectivity & independence, most of the respondents state that no problem observes about objectivity in the enterprise. The respondents mention that the chief audit executives assured that the auditors perform their tasks objectively by the procedures set by the enterprise & the standard of IAS. The respondent revealed, internal auditor's won't assign to audit areas they participated & they are free from any biased attitude & conflict of interest. Moreover, auditors are strongly encouraged to refer to practice advisories in the interpretation & implementation of the specific standards.

The in-depth interview result regarding due professional care & continues training stated the Internal auditors apply the care and skill expected of a reasonably prudent and competent internal auditor but, a gap observed in the enhancement of their knowledge & skill through continues professional development training. According to the chief audit executives, they know the fact that internal auditors must enhance their knowledge, skills, and other competencies through continuing professional development. But they mention training programs didn't get much attention. Most of the respondents stated that this gap is observed because low deliberation was preset to the internal audit department.

The chief executive auditors mentioned in their organization quality assurance and improvement program includes both internal & external assessments. The internal valuation takes place by the chief auditors; perform ongoing monitoring in the internal audit activity performance & periodic self-assessment. And in accordance, the external evaluation investigates all payments, acquisition, purchase, sales, inventories, and related entries audited by external auditors once every single year. The event can prove the assessment is encouraging and audited once every year under the period limit of five years set by the internal audit standard.

The respondents mentioned that the code of ethics governs the behavior of individuals in conducting internal auditing. The respondent warranted that the ethics consider integrity, objectivity, conditionality & competency. They mentioned some characters that reflect this, internal auditors make a balanced assessment of all the relevant circumstances, and they are not unduly influenced by their interests or by others in forming judgments. And they mentioned that internal auditors respect the value & do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

In addition to in-depth interviews to be certain about the internal audit practice of selected SOE's document review were undertaken. Accordingly, their audit manual includes all the mandatory standard & set up. The working paper also clearly include the overall planning, *risk assessment and prioritization, fieldwork, reporting, and follow-up of the audit trail.*

#### **4.1.2. Quantitative Aspect- Survey Results**

The self-administered questionnaires were distributed to 122 employees of the selected SOEs internal audit department however, the survey response was collected from only 105 respondents 17 failed to respond. Yesegat (2008) stated the response rate of 71.8 percent was reasonably good in consideration of the difficulty to collect data in poor developing countries, Ethiopia in particular. For this study, 105 useable questionnaires were obtained with a response rate of 86.06 percent, which is fairly representative. Accordingly, this section classified into two, the first section presents respondents' profiles in terms of gender, age, area of study, and so on, and the second one holds statements regarding attribute standards, performance standards & the code of ethics.

##### **4.1.2.1. Respondents' Profile**

In terms of gender, the survey data revealed that about 71 percent were male while the remaining respondents were female (Table 4.1). Similarly, as the data showed most survey participants were in the range of 18-25 years of age (see Table 4.1).

**Table 4.1:** Respondents' gender and age

<b>Variables</b>	<b>Classification of Variables</b>	<b>Frequency</b>	<b>Percent</b>
	Male	75	71.4%

<b>Gender</b>	Female	30	28.6%
<b>Age</b>	18-25	45	42.9%
	26-35	17	16.2%
	36-45	19	18.1%
	46-55	24	22.9%

**Source:** Survey Result & Own Computation

The survey indicated 58.1% of the participants were accounting qualified whereas, 81% were degree holders the remaining 19 percent were masters' holders. Regarding audit related certification, 99% of the participants do not have related certification.

**Table 4.2:** Respondents field of study, educational level and Related Certification

<b>Variables</b>	<b>Classification of Variables</b>	<b>Frequency</b>	<b>Percent</b>
<b>Field of Study</b>	Accounting	61	58.1%
	Management	36	34.3%
	Economics	6	5.7%
	Other	2	1.9%
	Diploma	-	-
<b>Educational Level</b>	BSC/BA	85	81%
	MSC/MA/MBA	20	19%
	Other	-	-
<b>Related Certification</b>	ACCA	1	1%
	CPA		
	CIA		
	No related certification	104	99%

**Source:** Survey Result & Own Computation

The survey shows, the sample population by large dominated by internal auditors & the majority had work experience of between 1-5 years. Internal auditors represented about 58% of survey respondents.

**Table 4.3:** Respondents position and years of experience

<b>Variables</b>	<b>Classification of Variables</b>	<b>Frequency</b>	<b>Percent</b>
<b>Position in the Enterprise</b>	Manager/supervisor	10	10%
	Team leader/Assistance		
	Senior internal Auditor/inspector	30	30%
	Internal Auditor	58	58%
	Other	2	2%
<b>Auditing Experience</b>	Less than 5 years	60	57.1%
	5-10 years	35	33.3%
	11-15 years	4	3.8%
	16-20 years	3	2.9%
	Above 20 years	3	2.9%

**Source:** Survey Result& Own Computation

Regarding the internal audit department staffing, 68.6% stated their internal audit department staffing as moderately staffed & 18.1% justify their audit department as adequately staffed the remaining 14, by taking 13.3% share percentage, define their audit department as poorly staffed.

**Table 4.4:** Auditing department staffing

<b>Variables</b>	<b>Classification of Variables</b>	<b>Frequency</b>	<b>Percent</b>
<b>Internal Audit Department staffing</b>	Adequately staffed	19	18.1%
	Moderately staffed	72	68.6%
	Poorly staffed	14	13.3%

**Source:** Survey Result & Own Computation

#### 4.1.2.2. Compliance with the International Auditing Standards

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

#### Internal Audit Objectivity

The following four questions were derived from the standard, internal audit objectivity used as a standard to analyze the quality level of compliance within the selected SOEs.

Internal audit objectivity with a mean average value of 3.93 stated as healthy the highest mean value shows internal auditors won't assign to audit they participate & they are free from biased attitude & impartial. Also, the variance in perception among internal auditors that responded for the standard is represented as low by the average standard deviation value of 0.64.

**Table 4.5:** Internal Audit Objectivity

Statements	N	Min	Max	Mean	Std. De
Internal auditors are not assigned to audit areas in the system design of which they participated	105	1	5	4.29	.817
Internal auditors have an impartial, unbiased attitude and avoid any conflict of interest.	105	1	5	4.21	.646
If objectivity is impaired in fact the details of the impairment disclosed to appropriate parties of the organization.	105	2	5	3.93	.880
There is a dual reporting relationship the head of Audit report functionally to the audit committee and to the president.	105	1	5	3.82	1.017

**Source:** Survey Result& Own Computation

#### Internal Audit Independency

The following four questions were derived from the standard, internal audit independency used as a standard to analyze the quality level of compliance within the selected SOEs.

The internal audit independence standard conformance within the SOEs was specified as healthy, supported by the average mean values, 3.98. Also, the variance in perception among internal auditors that responded for the standard was represented as low by the average standard deviation value, 0.73.

**Table 4.6:** Internal Audit Independency

Statements	N	Min	Max	Mean	Std. De
The board of directors (or audit committee) oversees employment decisions in internal audit	105	1	5	3.75	.969
Internal auditors do not participate in audit of activities for the operation of which they were responsible	105	1	5	4.00	.844
Internal auditors feel free to include any audit findings in their audit reports	105	1	5	4.11	.880
If independency is impaired in appearance, the details of the impairment disclosed to appropriate parties of the organization.	105	2	5	4.08	.730

**Source:** Survey Result & Own Computation

### Internal Audit Staff Proficiency and Due Professional Care

The following three questions were resulting from the internal audit staff proficiency and due professional care standard and used as a benchmark to analyze the quality of conformance within the selected SOEs and the results were presented as follow.

The underneath table shows that the compliance level of the standard internal audit proficiency and due professional care is adequate by the average mean values of 3.99. Furthermore, the average standard deviation value of 0.69 reflects a variation in perception among internal auditors, and it was considered low in value.

**Table 4.7:** Internal Audit Staff Proficiency and due Professional Care

Statements	N	Min	Max	Mean	Std. De
Internal auditors possess the knowledge, skills, and other competencies needed to perform their individual responsibilities.	105	1	5	4.10	.784

Internal auditors always apply the care and skill expected of a reasonably prudent and competent internal auditor.	105	1	5	4.18	.690
Internal auditors enhance their knowledge, skill, and other competencies through continuing professional development.	105	1	5	3.71	.906

**Source:** Survey Result& Own Computation

### **Quality Assurance and Improvement Program (QAIP)**

The following five questions are based on quality assurance and improvement programs include both internal and external assessments that use as a benchmark to analyze the quality of conformance within the selected SOEs and the results have presented as follows.

As per the results collected from internal auditors regarding the standard, quality assurance, and improvement program, a significant portion of the responses reflected that the standard well complies by 3.58 average mean values. Moreover, the variance in perception among internal auditors was considered high and reflected by the average standard deviation value, 0.76. The lowest mean value in the internal audit quality assurance & improvement program falls between 3.32 & 3.41. The highest mean value implies that the QAIP internal audit activities' conformance to international standards.

**Table 4.8:** Internal Audit Quality Assurance and Improvement Program (QAIP)

<b>Statements</b>	<b>N</b>	<b>Min</b>	<b>Max</b>	<b>Mean</b>	<b>Std. De</b>
The quality assurance and improvement program includes both internal & external assessments.	105	1	5	3.72	.814
The internal assessment of quality assurance and improvement includes-ongoing monitoring of the performance of internal audit activity, periodic self-assessment or assessments by other persons within the organization with sufficient knowledge of internal	105	2	5	3.56	.570

The external assessment is conducted at least once every five years by a qualified, independent assessor from outside the organization.	105	1	5	3.41	.840
The chief audit executive communicates at least once every five years by a qualified, independent assessor from outside the organization.	105	1	5	3.32	.740
The internal audit activities conformance to international standards is supported by results of QAIP.	105	1	5	3.88	.840

**Source:** Survey Result& Own Computation

#### **4.1.2.3. Conformance with Performance Standards**

Performance Standards describe the nature of internal auditing. This section focused on the results of different performance standard statements.

#### **Managing the Internal Audit Activity**

The following questions were derived from managing the IIA standards and used as a yardstick to measure the quality level of the internal audit activities management within the sample SOEs and the results summary are as follows.

The results of managing internal audit activity show an average mean value of 3.91. Each statement holds a high mean value. Specifically, the statement that states the chief audit executive reports periodically to senior management and the board on the internal audit activities and performance relative to its plan and its conformance with the Code of Ethics and the Standards grasp the higher one. Moreover, the average standard deviation value of 0.74 revealed that the respondents' internal auditors' perception variation regarding the activity was low.

**Table 4.9:** Managing the Internal Audit Activity

Statements	N	Min	Max	Mean	Std. De
While developing the risk-based audit plan, the chief audit executive consults with senior management and the board and obtains an understanding of the organizations strategies, key business objectives, associated risks, and risk management processes.	105	2	5	3.97	.596
The chief audit executive communicates the internal audit activist's plans and resource requirements, including significant interim changes, to senior management and the board for review and approval.	105	1	5	3.75	.852
The chief audit executive ensures that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.	105	2	5	3.95	.671
The chief audit executive establishes policies and procedures to guide the internal audit activity.	105	2	5	3.92	.646
The chief audit executive shares information, coordinate activities and consider relying upon the work of consulting service providers to ensure proper coverage and minimize duplication of efforts.	105	2	5	3.73	.923
The chief audit executive reports periodically to senior management and the board on the internal audit activities and performance relative to its plan and on its conformance with the Code of Ethics and the Standards.	105	1	5	4.12	.768

**Source:** Survey Result& Own Computation

### Nature of the Work

The following three questions were constructed from the nature of the work standards and used as a benchmark to measure the quality level of the work how it is managed in the sample SOEs and the results were then summarized as follows.

The standard nature of the audit work, with an average mean value of 4.4 implies, these three pillars of the standard, assessment of the organization’s corporate governance, evaluation of the risk management process, and evaluation in maintaining an effective internal control system in the organization activities were well recognized. The variation in perception among internal auditors that participated in filling the questionnaire was high and represented by the average standard deviation value of 0.60.

**Table 4.10:** Nature of the Audit Work

Statements	N	Min	Max	Mean	Std. De
The internal audit activity assesses and makes appropriate recommendations to improve the organizations governance processes.	105	2	5	4.53	.556
The internal audit activity evaluates the effectiveness and contributes to the improvement of risk management processes.	105	1	5	4.30	.733
The internal audit activity assists the organization in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvements.	105	2	5	4.38	.544

**Source:** Survey Result& Own Computation

### Engagements Planning

The following five questions were results from the engagements planning standards and used as a benchmark to measure the compliance level within the sample SOEs and the related result present as follows.

Regarding the engagements planning standard, its five components indicated average mean value of 4.23. The highest mean value of 4.31 indicated that the selected SOEs consider

strategies and objectives in planning the engagement. Were as reviewed & Objectives established for each audit engagement reflected. The variance in perception among internal auditors that participated in the study was exhibited by the average standard deviation value of 0.59 and taken as low.

**Table 4.11:** Regarding Engagements Planning

<b>Statements</b>	<b>N</b>	<b>Min</b>	<b>Max</b>	<b>Mean</b>	<b>Std. De</b>
In planning the audit engagement, internal auditors consider: the strategies and objectives of the activity being reviewed.	105	1	5	4.31	.684
Objectives established for each audit engagement concerning reflecting the results of the assessment, the probability of significant errors, fraud, noncompliance, and other exposures.	105	2	5	4.31	.577
The established scope is sufficient to achieve the objectives of the engagement: it includes consideration of relevant systems, records, personnel, and physical properties and others.	105	2	5	4.24	.546
Internal auditors determine appropriate and sufficient resources to achieve engagement objectives based on the nature and complexity of each engagement, time constraints, and available resources.	105	2	5	4.22	.604
Internal auditors develop and document work programs that achieve the engagement objectives (work programs include the procedures for identifying, analyzing, evaluating, and documenting information during the engagement).	105	2	5	4.25	.551

**Source:** Survey Result& Own Computation

### Performing the engagement

The following four questions derived from engagements planning standards were used as a benchmark to measure the conformance level within the sample SOEs and the results are as follows.

The statics regarding the standard, performing the engagement, holds the average mean value of 4.41 & each statement shows a high mean value. Besides, the variance in perception among auditors was low and symbolized by the average standard deviation value of 0.59 in aggregate.

**Table 4.12:** Performing the Engagement

Statements	N	Min	Max	Mean	Std. De
Internal auditors identify, analyze, evaluate, and document sufficient information to achieve the engagement's objectives.	105	1	5	4.54	.605
Internal auditors base conclusions and engagement results on appropriate analyses and evaluations.	105	1	5	4.46	.605
Internal auditors' document: sufficient, reliable, relevant, and useful information to support the engagement results and conclusions.	105	1	5	4.36	.590
Audit engagements are properly supervised to ensure that objectives are achieved, quality is assured and staff is developed.	105	2	5	4.28	.563

**Source:** Survey Result& Own Computation

### Communicating the Results

The following six questions derived from communicating the results standard were used as a benchmark to measure the quality of conformance in selected SOEs, and the results were also summarized as follows.

It could be understood from the table that standards of communicating results adequately complied within their organizations as they have 4.1 average mean values. The variance in

perception of auditors regarding the standard was low and identified by the average standard deviation value of 0.67.

**Table 4.13:** Communicating the Results

Statements	N	Min	Max	Mean	Std. De
Communications include the engagements' objectives, scope, and results.	105	2	5	4.39	.546
Communications are accurate, objective, clear, concise, constructive, complete and timely.	105	2	5	4.24	.528
While a final communication contains a significant error or omission, the chief audit executive communicates the corrected information to all parties who received the original communication.	105	2	5	4.19	.681
Engagements are conducted in conformance with the International Standards of Internal Auditing and it supported by the results of the quality assurance and improvement programs.	105	1	5	4.01	.766
When non-conformance with the Code of Ethics or the Standards impacts a specific engagement, the results disclose with which full conformance was not achieved, the reason, and its impacts.	105	2	5	3.82	.662
The chief audit executive review and approve the final engagement communication before issuance and for deciding to whom and how it will be disseminated.	105	1	5	3.95	.870

**Source:** Survey Result & Own Computation

### **Monitoring Progress (Follow-up) Standards**

The following question was derived from the standard, monitoring progress, and used as a benchmark to analyze the quality level of conformance within the sample SOEs and the related result are as follow.

The statics regarding monitoring progress standard disclosed that the majority of the respondent internal auditors believed the standard sufficiently exercised, and its result was supported by 4.13 mean values.

**Table 4.14: Monitoring Progress**

Statements	N	Min	Max	Mean	Std. De
The chief audit executive establishes a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.	105	1	5	4.13	.797

**Source:** Survey Result & Own Computation

#### 4.1.2.4. Conformance with the Code of Ethics

The following four questions were derived from the code of ethics and used as a benchmark to measure the quality of conformance within the sample SOEs and the related results were as follows.

Table 4.11 revealed that the code of ethics was considered adequate by an average mean value of 4.33. While the standard deviation value, 0.66, was exhibited and witnessed that the variance of perception among internal auditors was low. The ethical frameworks (code of ethics) conformance level was adequate and conventional.

**Table 4.15: Code of Ethics**

Statements	N	Min	Max	Mean	Std. De
The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment.	105	1	5	4.17	.713
Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.	105	1	5	4.22	.679
Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.	105	1	5	4.53	.651

Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.	105	1	5	4.41	.600
---	-----	---	---	------	------

**Source:** Survey Result & Own Computation

## 4.2. Discussion

This section discusses the findings gathered from in-depth interviews, questioner & document reviews held with selected key informants.

### 4.2.1. Internal Audit Activity (IAA)

Regarding internal audit activity in Ethiopia, the Ministry of Finance (MoF) is responsible for providing & monitors internal audit regulations in the public sector. The MoF manual specifies the scope, authority, and responsibility of IA and provides guidance on the conduct and documentation of internal audit work. The responsibilities stated in conducting internal audit activity are similar to the institute of internal auditors. According to MoF (2004), internal auditors are responsible for, independent, objective assurance and consulting activity designed to add value and improve the public body operations. The responsibilities include providing value-adding service to the organization.

The interview showed that the internal audit activity base on a systematic approach &, it included the overall audit activity process which is planning, examining, and evaluating information from fieldwork, report, and follow-up. The result also specifies the scope, authority, and responsibility of IA and guides the conduct and documentation of internal audit work. This finding consistent with the finding of Reding et al, (2013) with recognized, internal assurance and consulting engagements must be performed in a systematic and disciplined manner to truly add value and improve operations.

Whereas the results infer, managing the IAA standard conformance level within the selected SOEs was fair and exhibited by the average mean values above 3.5 to the standard. The interview result shows that when developing the risk-based audit plan in the selected SOEs, the chief audit executive consults with senior management and the board of directors to understand the strategies, key business objectives, associated risks, and risk management processes.

Furthermore, the engagement planning survey result shows, when planning the audit engagement, internal auditors consider the strategies and objectives of the activity &

Objectives established for each audit engagement. According to the survey findings, engagements standard conformance level was satisfactory and implemented according to the stated standard within the selected SOEs.

Additionally, the study regarding the reporting standard reflected that selected SOEs fully conform within the significant portion (components) of the audit standard as stated hereunder: communications include the engagements' objectives, scope, and results; communications are accurate, clear, concise, constructive, complete, and timely; & The CAE review and approve the final engagement communication before issuance, and the overall opinion is passed taking into consideration of the SOEs strategies, objectives, and risks of the organization. Being the highest mean of 4.39, this conforms to engagements' objectives, scope, and results of SOEs. As Sawyer et al (2013) stated, in every situation, internal auditors must recognize and know how to effectively communicate at each different level of communication. When high levels of communication are developed with management, auditors can acquire knowledge that will significantly support audit evaluations. Fadzil et al. (2005) found that the audit work performance and scope greatly affect the communication and information perspectives of the internal control system.

In general, the overall results regarding the internal audit activity of SOEs show internal audit functions in the selected SOE performed according to the stated standard. The finding contradicts the finding of Radasi & Barack (2015) with stat there is a lack of performance auditing in SOEs; methodologies & auditing systems used by outsourced functions differ from those used in & preferred by the SOEs.

#### **4.2.2. Objectivity & Independence**

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

The results show that the standard conformance; regarding the internal audit decisions responded by selected SOEs internal auditors is in accordance in their respective organizations. The remaining two standards conformance level namely: Internal auditors' freedom including any audit finding in their audit report, if independence impairs in fact, the details of the impairment disclosed to appropriate parties of the organization.

The results of the study revealed that regarding objectivity & independence, no problems were observed in the enterprise. Raghunandan and Mchugh (1994) recollect IA effectiveness as a characteristic of independence and objectivity. According to Christopher, Sarens & Leung (2009), Objectivity is essential for internal auditors' proper discharge of responsibilities. The interview, survey& document analysis results noted the internal audit objectivity & independence of the SOEs confirm well with the standard.

#### **4.2.3. Proficiency & Due professional Care**

The survey result showed that the selected SOEs are dominated by young & less experienced internal auditors who fall between 18-25 years. With a study background of accounting, a significant share possess by degree holders & Concerning certification related to an internal audit of 99% of participants have no related certificate. In accordance, they state their internal audit department as moderately staffed. The MoF (2004) identified that adequate staffing is necessary for the institution to its full capability. Weakness in staffing can lead to mismanagement, error and neglect, and fraud, which can affect other controls. The size of internal audit staff and the competency of internal audit are the critical characteristics of internal audit quality that can't be separated. This means at the absence of one dimension the other cannot contribute to the quality of internal auditors.

Besides, interview results stated gaps in professional development training programs. The respondent clarifies this gap as a result of low deliberation for the internal audit department. According to the chief audit executives, they know that internal auditors must enhance their knowledge, skills through continuing professional development yet there is a lack of attention in facilitating training programs in the SOEs. Both the amount of audit attempt and the fine of expert care exercised will decide the general fine of the inner audit work (Cohen and Sayag, 2010; Belay 2007). Arena and Azzone, (2009) additionally said that IA effectiveness grows particularly while the ratio among the wide variety of professional inner auditors and

personnel grows. This shows that a sufficiently large number of skilled professionals enable the internal auditors to do their duties.

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

#### **4.2.4. Quality Assurance & Improvement Program (QAIP)**

The interview result showed that quality assurance & improvement programs in selected SOEs on both internal & external assessments. The internal valuation takes place by the chief auditors; perform ongoing monitoring in the internal audit activity performance & periodic self-assessment. Accordingly, the external evaluation investigates all payments, acquisition, purchase, sales, inventories, and related entries audited by external auditors once every single year. In this consider Okibo & Kamau (2012) state compliance with quality assurance standards means carrying out both internal and external quality assessments.

Also, as per the survey results on standard, quality assurance, and improvement program, a significant portion of the responses was reflected that the standard well complies with the existing SOEs by 3.58 average mean values. Moreover, the variance in perception among internal auditors was considered high and reflected by the average standard deviation value, 0.76 that reflected the QAIP well. The internal audit guideline also states that internal auditors are expected to comply with standards for the professional practices of internal auditing published by the institutes of internal auditors (IIA) to conduct quality audit work. It also states that the quality assurance and improvement program should cover all aspects of the internal audit activity and continuous monitoring of its effectiveness which includes ongoing internal monitoring and periodic internal and external quality assessments.

In general, quality assurance & improvement program conformance levels within the selected SOEs could be represented as healthy. It justified that SOEs maintain a quality assurance and improvement program that comprises all aspects of the internal audit activity. This finding contradicts Radasi & Barack (2015) finding with states, SOEs internal audit function lack essential business knowledge & insight; combined assurance was in its infancy, & there was a high degree of non-compliance with quality assurance & improvement program standards.

#### **4.2.5. The Code of Ethics**

The interview stated that internal audit activity takes place per the code of ethics. The respondent warranted that the ethics consider integrity, objectivity, conditionality & competency. They mentioned some characters that reflect this, internal auditors make a balanced assessment of all the relevant circumstances, and they are not unduly influenced by their interests or by others in forming judgments. And they mentioned that internal auditors respect the value & do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

The survey result also revealed that the code of ethics was considered adequate within their SOE by an average mean value of 4.33. While the standard deviation value, 0.66, was exhibited and witnessed that the variance of perception among internal auditors was low. The ethical frameworks (code of ethics) conformance level within the selected SOEs was adequate and conventional. According to Burnaby et al (2009 p.831) to Compliance with the IIA's Code of Ethics and Standards is mandatory for those who provide internal auditing services.

#### **4.3. Conclusion**

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

Mainly the in-depth interview with senior internal auditors & chief audit executives employ to expose the internal audit practice of selected SOEs by IPPF. Thu the survey result supports the in-depth interview, the data gathered through the questionnaire tested to verify the reliability of the instrument & subsequently analyzed using descriptive statistics. The descriptive statistics included mean value of each statement shows alignment with the

attribute standards, performance standards & the code of ethics. Hence, conformance with the Code of Ethics and the Standards demonstrates conformance with all mandatory elements of the IPPF. The standards, together with the Code of Ethics, encompass all compulsory features of the IPPF. As a final point, thus the subsequent chapter presented a conclusion & recommendation on this basis.

## **CHAPTER 5: Conclusions and Recommendations**

The previous chapter presented results and analysis of the finding, while this chapter deals with the conclusions and recommendations provided based on the results of the study.

### **5.1. Conclusions**

This study aims to investigate the internal audit practices of State-Owned enterprises in Ethiopia. In doing so, previous studies related to internal auditing were reviewed. Previously very few researches have taken into consideration internal audit-related topics in Ethiopia & to date, no research has been done by paying attention to the practices of internal audit in SOEs of Ethiopia by considering the mandatory guidance elements. This situation heightened the need for more research to understand the internal auditing practices in Ethiopia. The study applied a mixed approach to get an advantage on the drawbacks of using one approach.

The analysis showed that in the selected SOEs female internal auditors' participation was low & dominated by young & less experienced internal auditors. With a study background of accounting, a significant share possesses by degree holders & the remaining share by masters' holders. The majority of the respondents from the sample SOEs replied that their department was moderately staffed.

First, the results reflected the internal audit activity of selected SOEs based on a systematic approach, & it included the overall audit activity processes which are planning, risk assessment & prioritization, fieldwork, report, and follow-up. The documented audit trial result supports this result. Whereas the analysis results imply, managing the IAA standard conformance level within the selected SOEs was fair and exhibited by the average mean values above 3.5 in aspects of the standard. All the related responses revealed that the standard has adequately complied with the selected SOEs. These activities mainly related to the CAE: while developing the audit plan consults the management; the IAAs plan and resource requirements including significant interim changes are communicated to the management for approval; ensures the appropriateness of resources; establishing policies and procedures to guide the IAA; shares information, coordinate activities and consider minimizing duplicate efforts; reports all IAs periodically to the management and final consideration of the plan for review.

Second, the results indicated that regarding Internal audit objectivity and independence in internal audit practices of the SOEs is in light with the requirements that include: the

existence of a dual reporting relationship among the audit department and the concerned organs of the SOEs, the management, and the board. Moreover, this shows that the selected SOEs confirm the independence standard.

Third, the study revealed Internal auditors apply the needed care and skill expected from a reasonably prudent and competent internal auditor but, a gap was observed regarding continuous professional development training. The respondent clarifies this gap as a result of low deliberation for the internal audit department. Almost all internal audit employees of the internal audit department are degree holders and capable to compute and effectively operating due professional. However, the internal audit process is not giving the necessary training and development program that could enhance the auditors' skills and experience to audit all the SOEs systems by preparing a proper plan for risk identification. The internal auditors in the internal audit process in general do not have an additional required certification that may help the internal auditors to conduct an effective audit. Gaps were observed in due professional care & development regarding professional development training, certification & staffing. The result shows that in the selected SOEs only one internal auditor has audit-related certification & no training policy is declared the organization.

Fourth, the quality assurance and improvement program include both internal & external assessments in the selected SOEs. The internal assessment of quality assurance and improvement includes-ongoing monitoring of the performance of internal audit activity, periodic self-assessment, & external assessment conducted once every year by a qualified, independent assessor from outside the organization. As per the results collected from internal auditors regarding the standard, quality assurance, and improvement program, a significant portion of the responses reflected that the standard well complies by 3.58 average mean values. This result rejected a previous study by Radasi& Barack (2015) that concluded SOE's internal audit function lack essential business knowledge & insight; combined assurance was in its infancy, & there was a high degree of non-compliance with quality assurance & improvement programs standards.

Fifth, the professional ethical frameworks integrity, objectivity, confidentiality, and competency in the selected SOEs exhibited as per the international professional practices framework and conventional in all aspects.

To sum up, the finding of this study indicated conformance with certain components that derived from attributes related standards: internal audit objectivity and independence standard, quality assurance & improvement program did arrive and adequate to the point that satisfies the expectations of sound international auditing practices. However, gaps were observed in due professional care & development regarding professional development training, certification & staffing. As well as conformance with certain components that derived from performance standards; managing the IAA, engagement planning, nature of work, performing the engagement & communicating results was fair in the selected SOEs. Institute of Internal Auditors (IIA) declared the Standards, together with the Code of Ethics, encompass all mandatory elements of the IPPF; therefore, conformance with the Code of Ethics and the Standards demonstrates conformance with all mandatory elements of the IPPF.

In general, the mandatory guidance requirements conformance level within the selected SOEs moves up to the expectation that satisfies the IPPF. This reject Yishak (2013) finding that concluded, internal auditing was not practiced to the expectation of international standards by many government organizations of Ethiopia.

## **5.2. Recommendations**

- ✓ The conformance with the mandatory guidance elements of the IPPF should be kept up and goes to the sound conformance level by all elements and in all SOEs: regarding the internal audit staff proficiency and due professional care.
- ✓ The SOEs better develop training policy and give adequate training to the internal auditors.
- ✓ To comply with the mandatory guidance elements promulgated by IPPF, all the selected SOEs should enhance and update their internal department staff
- ✓ To gain more benefit from their audit department, the SOEs should give due consideration to satisfy the adequacy of their audit staffing and allocation of the related resources.
- ✓ To produce effective audit the SOEs should offer opportunity for certification in CIA, CISA, CEF and ACCA

## Reference

- Abreham, Y.(2015).Determinants of internal audit effectiveness: empirical study on the construction & business bank.[Master's thesis, St Marry University]
- Albrecht, J., Edin, P., Sundstrom, M., & Vroman, S.(1999). Career interruptions and subsequent earnings: A reexamination using Swedish data. *The Journal of Human Resources*, 34(2), 294-311.
- Ali, A., Gloeck, J., Ahmi, A., & Sahdan, M.(2007). Internal audit in the state and local government of Malaysia. *Southern African Journal of Accountancy and Auditing Research*, 25-57.
- Ali, M.(2011). Internal audit and risk assessment in Ethiopian Public Enterprises. [Master's thesis, Addis Ababa University]
- Al-Twajry, A., Brierley, JA.,& Gwilliam, DR.(2003). The development of internal audit in Saudi Arabia: An institutional theory perspective. *Critical Perspectives on Accounting*, 14(5), 507-31.
- Allegrin, M.,&D'onza, G. (2003). Internal auditing & risk assessment in large Italian companies; an empirical survey. *International Journal of Auditing*, 7(3), 191-208.
- Arens, A., Loebbecke, K., Susela, D., & Isa, S.(1999).*Auditing in Malaysia: an integrated approach*. Prentice Hall.
- Arena, M., & Azzone, G.(2009). Identifying organizational drivers of internal audit effectiveness. *International Journal of Auditing*, 13, 43–60.
- Arena, M., & Azzone, G.(2006). Internal audit departments: adoption and characteristics in Italian Companies. *International Journal of Auditing*, 11(2), 91-114.
- Autissier, D.(1998).*Internal auditing: a control process of thinking, constructing, implementing, & analyzing*. University of Paris Pantheon.
- Baharud, Z., Shakiyah, A.,& Ibrahim, M.(2014). Factors that contribute to the effectiveness of internal audit public sector. *Journal of Auditing*, 70(24), 45-56.
- Bekele, W.(2019). Assessment of internal audit practice in Oromia regional state: the case of selected public sector. [Master's thesis, Addis Ababa University].
- Boone, H., & Boone, D.(2012). Analyzing likert data. *Journal of Extension*, 50.
- Bonner, S.,& Lewis, B.(1990). Determinants of auditor expertise. *Journal of Accounting Research*, 28(3), 1-20.
- Burnaby, P., and Hass, S.(2009). A summary of the global Common Body of Knowledge 2006 (CBOK) study in internal auditing. *Managerial Auditing Journal*, 24(9), 813-834.

- Butt, J.(1988). Frequency judgments in an auditing related task. *Journal of Accounting Research*, 11(1), 39-53.
- Cecilia,N. (2005). *Internal Audit Finding: its place in public finance Management*. World Bank Institute.
- Cohen, A., and Sayang, G.(2010). The effectiveness of internal auditing: an empirical examination of its determinants in Israeli organizations. *Journal of Australian Accounting Review*, 20, 296-307.
- Creswell, W. (2003).*Research design: qualitative, quantitative, and mixed methods Approaches* (2<sup>nd</sup>edn). Sage Publications.
- Creswell, W.(2009).*Research design: qualitative, quantitative, and mixed methods Approaches*(3<sup>rd</sup>edn). Sage Publications.
- Desalegn, G.(2010).*Antecedents & organizational performance implications of internal Audit Effectiveness: some proposition & research agenda*, University of New England.
- Fadzil, F., Hasnah, H., Muhamad, J.(2005). Internal audit practices and internal control system.*Managerial Auditing Journal*, 20, 844-866.
- FDRE Public Enterprise Holding & Administration Agency.(2020).<<http://www.pehaa.gov.et/en/web/guest/minister>>
- Fekadu, B.(2009). Internal Audit Practices: A Case of Ethiopian Governmental Higher Educational Institutions. [Master's thesis in Accounting and Finance, Addis Ababa University].
- Flesher, D., & Zanzig, J.,(2000). Management accountants express a desire for change in the functioning of internal auditing. *Managerial Auditing Journal*, 15(7), 331-7.
- Fourie, H.,& Erasmus, L, 2010, 'Internal auditing activates performed in South Africa', *Journal of Business Management*, vol.3 (13), pp. 936-945.
- Goodwin, J & Yeob, T.(2001). Two Factors Affecting Internal Audit Independence and Objectivity: Evidence from Singapore. *International Journal of Auditing*, 5(2), 107-225.
- Guest, G., MacQueen, K., & Namey, E.(2012). Comparing thematic data, in applied thematic *analysis*. SAGE Publications.
- Gramling, A., Maletta, M., Schneider, A., and Church, B.(2004). The role of the internal audit function in corporate governance: a synthesis of the extant internal auditing literature and directions for future research. *Journal of Accounting Literature*, 23, 194-244.

- Kinfu, J. (1990). 'Accounting and Auditing in Ethiopia: an historical perspective', in Pankhurst, R., Zekaria, A. & Beyene, T. (Eds), Proceedings of the First National Conference of Ethiopian Studies, Institute of Ethiopian Studies, Addis Ababa University, Addis Ababa, 189-225.
- Kothari, E.(2004).*Research design*. Kampala International University.
- Krishnamoorthy, G.(2001). A cascaded inference model for evaluation of the internal audit report. *Decision Sciences*, 32(1), 499-520.
- Hair, J., Tatham, R., Anderson, R.,& Black, W.(2006).*Multivariate data analysis*. Prentice Hall.
- Hamdu, k., DrArega, S., & Addisu, G.(2014). Internal auditing standards & its practice the case of east Arsi zone, Ethiopia. *Basic Research Journal of Business Management & Accounts*, 3(6), 80-84.
- Helianti, U.(2016). A case study of internal auditing practice in a State-Owned Enterprise in Indonesia. [Doctor of Philosophy thesis, University of Wollongong].
- Institute of Internal Auditors.(2008).International standards for the professional practice of internal auditing.<<http://www.theiia.org>>.
- Institute of Internal Auditors.(2009).International standards for the professional practice of internal auditing.< <http://www.theiia.org>>.
- Institute of Internal Auditors.(2012).Overview of internal auditing. <[https://ciasuccess.files.wordpress.com/2013/11/cia-part1\\_su1.pdf](https://ciasuccess.files.wordpress.com/2013/11/cia-part1_su1.pdf)>
- Institute of Internal Auditors.(2012).Supplemental Guidance: The role of auditing in public sector governance.<<https://global.theiia.org/standards-guidance/Pages/Standards- and-Guidance-IPPF.aspx>>.
- Institution of internal Auditors (2020).Revised Standards 2017.<<https://www.icas.com/professional-resources/audit-and-assurance/internal-audit/institute-of-internal-auditors-revised-standards-2017>>.
- Justin, nd. Audit performance measures.<<https://www.business-competence.com/audit-performance-measures.html>>
- Leedy, P.(1989).*Practical research: planning and design*, 4<sup>th</sup>edn, Macmillan.
- Lee, H., & Park, H.(2017). The effectiveness of enterprise risk management and internal audit function on quality of financial reporting in universities. *Journal of Economics and Behavioral Studies*, 9(4), 230-241.
- Libbly, R., & Frederick, D.(1990). Experience and the ability to explain audit finding. *Journal of Accounting Research*, 28(2), 348-367.

- Manasseh, N.(2004).*Principles of auditing; Revised Version*. Kijabe Printing Press.
- Marczyk, G., Dematteo, D., & Festinger, D.(2005).*Essentials of research design & methodology*. John Wiley & Sons.
- Mihret, D.(2010). Antecedents & organization performance implication of internal audit effectiveness: evidence from Ethiopia. [Thesis for Doctor of philosophy, University of South Queens land].
- Mihret, D., Mula, J., and James, K.(2012). The development of internal auditing in Ethiopia: the role of institutional norms. *Journal of Financial Reporting and Accounting*, 10(2), 153-170.
- Mihret, G., & Yismaw, W.(2007). Internal audit effectiveness: an Ethiopian public sector case study. *Managerial Auditing Journal*, 22(5), 470-484.
- Ministry of Finance.(2004).Internal audit standards and code of ethics for internal auditors and internal audit procedural manual. MoF.
- Mohamud, H.(2013). Internal auditing practice & internal control system in Somali remittance firms. *International Journal of Business & Social Science*, 4(4), 165-172.
- Moeller, R.,& Witt, H.(1999).*Brink's modern internal auditing*. 5<sup>th</sup>edn. John Wiley & Sons.
- Mulugeta, S.(2008). Internal Audit: Reporting Relationship in Ethiopian Public Enterprises. [Master's thesis, Addis Ababa University].
- Musah, A., Gapketor, E., &Anokye, F.(2018). Determinant of internal auditing effectiveness in state owned enterprises in Ghana. *Journal of Accounting & Management*, 8(1), 52-68.
- Norman, M.(2019)*The Core Principles of Effective Internal Auditing*.<[www.cmswire.com/information-management/the-core-principles-of-effective-internal-auditing/](http://www.cmswire.com/information-management/the-core-principles-of-effective-internal-auditing/)>.
- Okibo, B., &Kamau, C.(2012). Internal auditor's compliance with Quality Assurance Standards: A case of state owned corporations in Kenya. *International Journal of Research Studies in Management*,1(1), 109-126.
- Overview of internal auditing*, <[https://ciasuccess.files.wordpress.com/2013/11/cia-part1\\_su1.pdf](https://ciasuccess.files.wordpress.com/2013/11/cia-part1_su1.pdf)>
- Paul, K.(2008). A survey on the role of internal audit in promoting good corporate governance in SOEs. [Master's thesis, University of Nairobi.]
- Pickett, K.(2010).*The Internal audit handbook*(3<sup>rd</sup>edn). Johan wiley&Son's Ltd publication.
- Power, M.(2003). Auditing and the production of legitimacy.*Accounting, Organizations and Society*, 28(4), 379-394.

- Radasi, P., & Barack, K. (2015). Internal audit in state owned enterprises: perception, expectation, & challenges. *Journal of Accountability & Auditing Research*, 17(2), 95-106.
- Ramamoorti, S., & Traver, R. (2003). Neural Networks for Risk Assessment in Internal Auditing. [Feasibility Study, Institute of Internal Auditors Research Foundation].
- Ratliff, R. (1996). *Internal auditing principles and techniques*. Institution of Internal Auditors.
- Raymond, A. (2016). An analysis of internal audit effectiveness in state owned enterprises in Ghana. [MPHIL Accounting degree thesis, University of Ghana].
- Reding, K., Sobel, P., Anderson, U., Head, M., Ramamoorti, S., Salamasick, M., and Rid-dle, C. (2013). *Internal Auditing*. Institute of Internal Auditors Research Foundation.
- Robson, C. (2002). *Real world research* (2<sup>nd</sup> edn.). Oxford University.
- Russell, J. (2013). *The ASQ auditing handbook* (3<sup>rd</sup> edn). ASQ Quality Press.
- Sakour, A., Malaysia, I., Hidaya, N., & Laila, B. (2015). Internal audit effectiveness in Libyan public enterprise; an approach to the development of a theoretical framework. *Global Business & Management Research an International Journal*, 17, 12-18.
- Sawyer, L., Dittenhofer, M., and Scheiner, J. (2003). *Sawyer's internal auditing*. The Institute of Internal Auditors.
- Sawyer, L., and Vinten, G. (1996). *The manager and the internal auditor*. Wiley.
- Stewart, J., and Subramaniam, N. (2010). Internal audit independence and objectivity: emerging research opportunities. *Managerial Auditing Journal*, 25(4), 328-360.
- Shewamene, H. (2014). Determinants of internal audit effectiveness in public sector, case study in Ethiopian public sector office. [Master's thesis, Jimma University].
- Tadiwos, M. (2016). Factors determining effectiveness of internal audit in Ethiopian Commercial Bank. [Master's thesis, Addis Ababa University].
- Tamiru, T. (2018). The Assessment of internal audit practices in Private Commercial Banks of Ethiopia. [Master's thesis, Addis Ababa University].
- Tsige, Z. (2013). Determinants of Non-performing Loans: Empirical Study on Ethiopian Commercial Banks. [Master's Thesis, Addis Ababa University].
- William, C., Raymond, N., & Walter, G. (2001). *Modern Auditing* (7<sup>th</sup> edn). John Wiley & Sons.
- Yesegat, W. (2008). Value added tax administration in Ethiopia: A reflection of problems. *e Journal of Tax Research*, 6(2), 145-168, [http://www.atax.unsw.edu.au/ejtr/content/issues/previous/paper4\\_v6n2.pdf](http://www.atax.unsw.edu.au/ejtr/content/issues/previous/paper4_v6n2.pdf).
- Yesegat, W. (2009). Value added tax in Ethiopia: A study of operating costs and compliance. [PhD thesis, University of New south Wales].

Yin, R.(1989).*Case study research design and methods*(5<sup>th</sup>edn). Sage Publication.

Yishak, T.(2013).*Internal audit practices in the Ethiopian financial sector*. LAMBERT Academic publisher.

Wiki accounting, *Audit procedures*.<<https://www.wikiaccounting.com/audit-procedures-meaning-example-prepare/>>

Zabihollah, R.(1995), What the COSO report means for internal auditors. *Managerial Auditing Journal*, 10(6), 5-9

**Appendix 1**  
**Addis Ababa University**  
**College of Business and Economics**

**Department of Accounting and Finance Survey Instrument**

Dear Participant:

The title of this thesis is “Internal audit practice of selected State Owned Enterprises in Ethiopia” The name of the researcher is Rihana Ahmed who is currently an MSc in Accounting and Finance student at the College of Business and Economics of the Addis Ababa University.

The aim of this project is to assess internal audit practices of selected SOE’s by taking the IPPF as a bench mark. This questionnaire is prepared to supplement the data obtained from other sources.

This survey questionnaire is being distributed to get relevant information from respondents and participation is totally voluntary. The investigator respectfully requests your kind cooperation in answering the whole question as frankly as possible and your response will be recorded anonymously and strict confidentiality will be maintained.

For further information, please contact using the following address:

Tel. (mobile): 0923500751

E mail: [rihanaahmed2018@gmail.com](mailto:rihanaahmed2018@gmail.com)

**Part One**

**Demographic Data of the Respondent**

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

1. Gender

Male  1

Female  2

2. Age

18-25Years  1

36-45 Years  3

56 and above  5

26-35 Years  2

46-55Years  4

3. Area of study

Accounting  1    Management  2    Economics  3    Other please specify.....4

4. Educational Level:

Diploma  1    BSC/BA  2    MSC/MA/MBA  3    Others please specify.....4

5. Any certification related to the profession:

ACCA  1    CPA  2    CIA  3    No related certification  4

6. What is your current position in the organization?

- Manager/Supervisor  1      Team Leader/ Assistant  2  
 Senior Internal Auditor/Inspector  3      Internal auditor/ Inspector  4  
 Others please specify.....5

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

- Less than 5 years  1      5-10 years  2      11-15 years  3  
 16-20 years  4      Above 20 years  5

8. Your internal audit unit/department staffing:

- Adequately staffed  1      Moderately staffed  2      Poorly staffed  3

**Part Two**

**For the following statements on attribute of internal audit practices in your organization, please show your choice (the scales ranging from strongly disagree to strongly agree) by putting “√” under the appropriate cell in the table.**

Ser. No.		Attributes	Strongly disagreed (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agreed (5)
<b>1</b>		<b>A. Statement regarding internal audit objectivity</b>					
<b>1.1</b>	Organizational Objectivity	There is a dual reporting relationship the head of Audit report functionally to the audit committee and to the president.					
<b>1.2</b>	Individual objectivity	Internal auditors have an impartial, unbiased attitude and avoid any conflict of interest.					
<b>1.3</b>	Individual objectivity	Internal auditors are not assigned to audit areas in the system design of which they participated					
<b>1.4</b>	Impairment to Objectivity	If objectivity is impaired in fact the details of the impairment disclosed to appropriate parties of the organization.					
<b>2</b>		<b>B. Statement regarding internal audit Independency</b>					

2.1	Organizational independence	The board of directors (or audit committee) oversees employment decisions in internal audit					
2.2	Individual independence	Internal auditors do not participate in audit of activities for the operation of which they were responsible					
2.3	Individual Independency	Internal auditors feel free to include any audit findings in their audit reports					
2.4	Impairment to Independency	If independency is impaired in appearance, the details of the impairment disclosed to appropriate parties of the organization.					
		<b>C. Statements regarding the internal audit staff proficiency and due professional care</b>					
3.1	Proficiency	Internal auditors possess the knowledge, skills, and other competencies needed to perform their individual responsibilities.					
3.2	Due Professional Care	Internal auditors always apply the care and skill expected of a reasonably prudent and competent internal auditor.					
3.3	Continuing Professional Development	Internal auditors enhance their knowledge, skill, and other competencies through continuing professional development.					
4		<b>D. Statements regarding Quality Assurance and Improvement Program (QAIP)</b>					
4.1	QAIP Require	The quality assurance and improvement program includes both internal & external assessments.					
4.2	Internal Assessments	The internal assessment of quality assurance and improvement includes-ongoing monitoring of the performance of internal audit activity, periodic self-assessment or assessments by other persons within the organization with sufficient knowledge of internal audit practices.					

4.3	External Assessments	The external assessment is conducted at least once every five years by a qualified, independent assessor from outside the organization.					
4.4	Reporting on the QAIP	The chief audit executive communicates at least once every five years by a qualified, independent assessor from outside the organization.					
4.5	Use of conform with standards	The internal audit activities conformance to international standards is supported by results of QAIP.					
<b>II. Performance Standards</b>							
5		<b>E. statement regarding managing the internal audit activity</b>					
5.1	Planning	While developing the risk-based audit plan, the chief audit executive consults with senior management and the board and obtains an understanding of the organizations strategies, key business objectives, associated risks, and risk management processes.					
5.2	Communication & Approval	The chief audit executive communicates the internal audit activist’s plans and resource requirements, including significant interim changes, to senior management and the board for review and approval.					
5.3	Resource Management	The chief audit executive ensures that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.					
5.4	Policies & Procedures	The chief audit executive establishes policies and procedures to guide the internal audit activity.					
5.5	Coordination & Reliance	The chief audit executive shares information, coordinate activities and consider relying upon the work of					

		consulting service providers to ensure proper coverage and minimize duplication of efforts.					
<b>5.6</b>	Reporting to the Senior management & the Board	The chief audit executive reports periodically to senior management and the board on the internal audit activities and performance relative to its plan and on its conformance with the Code of Ethics and the Standards.					
<b>6</b>		<b>F. Statements regarding nature of the work</b>					
<b>6.1</b>	Governance	The internal audit activity assesses and makes appropriate recommendations to improve the organizations governance processes.					
<b>6.2</b>	Risk Management	The internal audit activity evaluates the effectiveness and contributes to the improvement of risk management processes.					
<b>6.3</b>	Control	The internal audit activity assists the organization in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvements.					
<b>7</b>		<b>G. Statements regarding engagements planning</b>					
<b>7.1</b>	Planning Considerations	In planning the audit engagement, internal auditors consider: the strategies and objectives of the activity being reviewed.					
<b>7.2</b>	Engagement Objectives	Objectives established for each audit engagement concerning reflecting the results of the assessment, the probability of significant errors, fraud, noncompliance, and other exposures.					
<b>7.3</b>	Engagement Scope	The established scope is sufficient to achieve the objectives of the engagement: it					

		includes consideration of relevant systems, records, personnel, and physical properties and others.					
7.4	Engagement Resource Allocation	Internal auditors determine appropriate and sufficient resources to achieve engagement objectives based on the nature and complexity of each engagement, time constraints, and available resources.					
7.5	Engagement Work Programs	Internal auditors develop and document work programs that achieve the engagement objectives (work programs include the procedures for identifying, analyzing, evaluating, and documenting information during the engagement).					
8		<b>H. Statements regarding performing the engagement</b>					
8.1	Identifying Information	Internal auditors identify, analyze, evaluate, and document sufficient information to achieve the engagement's objectives.					
8.2	Analysis and Evaluation	Internal auditors base conclusions and engagement results on appropriate analyses and evaluations.					
8.3	Documenting Information	Internal auditors' document: sufficient, reliable, relevant, and useful information to support the engagement results and conclusions.					
8.4	Engagement Supervision	Audit engagements are properly supervised to ensure that objectives are achieved, quality is assured and staff is developed.					
9		<b>I. statement regarding communicating result</b>					
9.1	Criteria for Communication	Communications include the engagements' objectives, scope, and results.					
9.2	Quality of Communication	Communications are accurate, objective, clear, concise, constructive, complete and timely.					

<b>9.3</b>	Errors & Omissions	While a final communication contains a significant error or omission, the chief audit executive communicates the corrected information to all parties who received the original communication.					
<b>9.4</b>	Conformance with Standards	Engagements are conducted in conformance with the International Standards of Internal Auditing and it supported by the results of the quality assurance and improvement programs.					
<b>9.5</b>	Disclosure of Non- Conform	When non-conformance with the Code of Ethics or the Standards impacts a specific engagement, the results disclose with which full conformance was not achieved, the reason, and its impacts.					
<b>9.6</b>	Disseminating Results	The chief audit executive review and approve the final engagement communication before issuance and for deciding to whom and how it will be disseminated.					
<b>10</b>		<b>J. Statements regarding monitoring progress</b>					
<b>10.1</b>	Establishing Follow up Process	The chief audit executive establishes a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.					
<b>III. Code of Ethics</b>							
<b>11.1</b>	Integrity	The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment.					
<b>11.2</b>	Objectivity	Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.					

<b>11.3</b>	Confidentiality	Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.					
<b>11.4</b>	Competency	Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.					