ASSESMENT OF INTERNAL AUDIT PRACTICES IN OROMIA REGIONAL STATE: THE CASE OF SELECTED PUBLIC SECTORS.

By

Bekele W/Senbet

Project paper Submitted for the Partial Fulfillment of the Requirements for the Degree of Master of Science in Accounting and Auditing

Addis Ababa University

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DECLARATION

I, Bekele W/senbet, hereby declare that this project work entitled; “Assessment of Internal Audit Practices in Oromia regional state: The Case of Selected oromia regional state sectors’ submitted by me for the award of the degree of Master of Science in Accounting and Auditing, is my original work and that all sources of materials used for the study have been duly acknowledged.

I also confirm that the thesis prepared, on the case of sectors of oromia regional state, by taking the revised standards of internal auditing and the code of ethics as a yard stick and on the same topic earlier has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

______________________ ____________________ _____________

Name Signature Date

Addis Ababa University, Addis Ababa, June, 2019

Approval

The project paper by Bekele W/senbet entitled "The Assessment of Internal Audit Practices in oromia regional state: The Case of Selected sectors" has been submitted for examination with my approval as an advisor.

Habtamu Berhanu (PHD)

______________________ ____________________ _____________

Advisor's Name Signature Date

Addis Ababa University

School of Graduate Studies

Examining Committee's Approval

Signed by the examining committee:

Examiner ____________Signature ______________ Date __________________

Advisor _______________Signature _____________ Date __________________

ABSTRACT

Nowadays, the internal audit profession is moving rapidly from the traditional transaction-based approach to the new business-based (risk-based) approach. The Institute of Internal Auditors (IIA) as an exclusive professional body for governing the practices of internal auditing throughout the world has developed an International Auditing Standards (IAS) and issued a framework that guiding how internal audit activities should be conducted through using the IPPF. A revision on these standards was made by the International Internal Audit Standards Board (IIASB) as effective January 2017. These standards together with the code of ethics encompass all the Mandatory Guidance Elements (Requirements) of the International Professional Practices Framework (IPPF). In order to assess the internal audit practices in sectors of oromia regional state, the aforementioned Mandatory Guidance Elements were taken as a benchmark for the study. Due to time and cost constraints, the sample of the research was only focused on six sectors that selected by using purposive sampling technique. Both qualitative and quantitative data types were applied in the study. The primary means of date collection, self-administered questionnaire, was employed and distributed to the respective internal auditors. Moreover, the secondary data was reviewed from the related IASs and various literatures, journals, articles and automated documents. The collected data was analyzed by using a scientific method, SPSS and presented by using various tables. Based on the research results, the current practices of internal audit in oromia regional state through taking the Mandatory Guidance requirements of IPPF as a benchmark could be summarized into three groups: components of standards that fairly complied, did not adequately complied, and poorly (below the expectation) complied within the selected sectors. In general, the mandatory guidance requirements conformance level within the selected sectors oromia regional state did not move up to the expectation that satisfies the IAS. The existing healthy conformance with certain mandatory Guidance requirements of the IPPF should be kept up and goes to the sound conformance level by all elements; the existing inadequate conformance have to make improvements until it satisfy the needs of all stakeholders.

Key words: *Internal Audit; Mandatory Guidance Elements; Revised Internal Auditing Standards; The Code of Ethics, Institute of Internal Auditors, Sectors of oromia regional state.*

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ACRONYMS AND ABBREVIATIONS

ACCA	The Association of Chartered Certified Accountants
CAE	Chief Audit Executive
CIA	Certified Internal Auditor
FI	Financial Institutions
IA	Internal Auditor
IAA	Internal Audit Activities
IAF	Internal Audit Function
IAS	International Auditing Standards
IIA	The Institute of Internal Auditors
IIASB	The 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
SPSS	Statistical Packages for Social Scientists

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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The development and improvement of the internal audit function is from the traditional audit, to the value-adding role, through prevention of problems and identification of potential risks (Ahlawat & Lowe, 2004). Public sector organizations are required to have internal audit functions to support effective management. According to the definition of Institute of Internal Auditors, Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. Internal auditing (IA) serves as an important link in the business and financial reporting processes of corporations. Internal auditors play a key role in monitoring a company's risk profile and identifying areas to improve risk management (IIA, 2013).

The importance of internal audit function within the organization can also be justified with the fact that a strong internal audit function is prevent financial reporting irregularity in the presence of unambiguous potential GAAP (i.e. Generally Accepted Accounting Principles) violation (Arel et al., 2012). Krogstad et al. cited in(Sarens et al., 2012) state that internal audit function is bringing a systematic, disciplined approach to the evaluation and improvement of the effectiveness of internal control, risk management and governance processes with internal auditor's growing role in modern corporate governance, independence has gained renewed attention and the Institute of Internal Auditors (IIA), a guidance setting body for internal audit activities, has promoted the internal audit function as an independent function that provides both assurance and consulting services (IIA, 2003). (Regoliosi & d'Eri, 2012) dedicate the internal audit function as being the most appropriate solution to meet objectives of assurance and consulting audit. Internal audit function plays an important role in the organizational process, and therefore it is not only required to perform ordinary assurance activities, but also to serve as a strategic Partner of the organization and add value to its activities towards improving organizational processes and ensuring their effectiveness and efficiency. Organizations with effective and efficient internal audit function are able to detect fraud more than those that have not such a function within their organizations (Corama, et al , 2008). Effective internal audit function could be a major asset for improving public confidence in financial reporting and corporate governance.

The importance of Internal auditing in Ethiopia was formally recognized in the early 1930s by the country's first Constitution. The development of modern auditing in Ethiopia is marked after the issuance of Ministry of Finance directives in 1942, which focused on public sector fund utilization (Kinfu, 1990). This document referred to the proper collection of state revenue and the necessity for procedures to control expenditures.

In 1944, another milestone occurred when a proclamation established the Commission for Audit, charged with auditing the Ministry of Finance accounts. The development of state budget practices, an emphasis on fraud deterrence, and growth in trade and industry subsequently added impetus to the growth of the profession (Welde-Ruphael, 1998). As to Lemma Argaw, the ministry of education, ministry of national defense and the ministry of finance were pioneers in implementing the internal audit practice in Ethiopia. He revealed this fact as follows. 'An Internal Auditing function has existed for quite a long time in Ethiopia; however, it got legal recognition in late 1980s (Lemma, 2000).

The Oromia Regional state undertakes different requirement and train internal auditors. Public sector organizations are also required to have internal audit functions to support effective management. The Bureau of Finance and Economic Development has the authority to issue internal audit manuals for use by all organizations that are wholly or partially financed by the government budget (Government of Ethiopia, 1996). It has issued a manual that contains a code of ethics for internal auditors and procedural guidance on the conduct of audits (Ministry of Finance and Economic Development, 2004). Internal audit standards of the Ethiopian Government, specified in the manual, closely match those published by the IIA.

The internal auditing function started in the budgetary public sector as part of internal control. However, the latter part of the 1940s witnessed the establishment of Internal Audit functions in the Ministry of National Defense, Ministry of Education, and Ministry of Finance. Perhaps the most direct impact on the current status of internal auditing in Ethiopia came from another important document issued in 1987, Proclamation No.13 (Welde-Ruphael,1998). Moreover, Proclamation No.68/1997 requires that, the Federal Democratic Republic of Ethiopia's (FDRE) new economic policy be supported by a modern and reliable audit system in order to ascertain proper implementation through effective monitoring of administrative, developmental and service endering institutions in the Federal Public Sector (Zeleke, 2007). Generally, the history of internal auditing in Ethiopia dated back to the 1940s just about the time the profession was also evolving in Europe and in the United States (Lemma, 2000).

According to the Institute of Internal Auditors (IIA), internal auditing reviews the reliability and integrity of information, compliance with policies and regulations, the safeguarding of assets, the economic and efficient use of resources, and established operational goals and objectives. Internal audits encompass financial activities and operations including systems, production, engineering, marketing and human resources (Rupsys, 2005). In addition, the internal audit service is currently being considered as a good contributor to corporate governance. Recently, in developing countries, there has been increased interest and more emphasis is placed on the IAF (Internal Audit Function) as one tool to crisis prevention and enhancing good governance system of the public sector (Zeleke, 2007).

Therefore, this study has been assessed the practices of internal audit in study area with special emphasis on the IPPF- mandatory guidance requirements international auditing standards and the code of ethics.

1.2 Statement of the problem

Internal audit functions play an important role in organizations by adding value and improving their efforts to achieve set objectives through a systematic and disciplined approach to control and evaluate operations.

According to the Institute of Internal Audit (IIA), internal auditing is defined as "An Independent, objective assurance and consulting activities designed to add value and improve an organization's operations. It helps an organization achieve its objectives by introducing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance."

The IIA provides internal audit professionals worldwide with authoritative guidance that organized in the IPPF as mandatory guidance and recommended guidance. Conformance with the principles set forth is required and essential for the professional practices of internal auditing. The Internal Audit Standards Board (IASB) has released one of the mandatory guidance elements of IPPF, the revised standards of internal auditing. These standards together with the code of ethics encompass all mandatory requirements of the International Professional Practices Framework (IPPF). Hence, by taking these mandatory guidance a requirement of IPPF into consideration, this research has been assessed the current practices of internal audit in private commercial banks of Ethiopia.

The following cases more elaborate the existing internal audit practices and the related research gaps that detected from review of the related literatures regarding oromia regional state and that derived the researcher’s attention to dwell much time and effort in the subject area.

- The existing audit practices in public sectors in oromia regional state revealed that the internal audit practices did not comply with the IPPF guidelines that promulgated by IIA (Yishak Tigabu, 2013);
- Most internal auditors undertake their day to day internal audit activities traditionally and did not have profound knowledge of the IPPF (Hamdu Kedir, Dr. Arega Seyoum & Addisu Gemeda, 2014);
- Internal auditing was not practiced to the expectations of international standards by many private and government organizations of Ethiopia (Yishak Tigabu, 2013);
- The internal audit function needs to enhance its proficiency to have a positive impact on governance (Abreham G/Georgis, 2011);
- Very few researches have been done regarding assessing the practices of internal audit rather than concentrating on the effectiveness of internal audit in Ethiopian organizations (Tadiwos Misganaw (2016), Abreham Yalew (2015), Desalegn Getie (2010));
- No previous study was done in Ethiopian private and government owned organizations by using the revised internal auditing standards (Effective January 2017);
- No previous study was done through giving its full interest (attention) in practices of internal audit in private commercial banks of Ethiopia;
- Hence, there is a need to enrich previously conducted, the studies that related to internal audit practices, and in the mean time to assess the current practices (quality) of internal audit in ormia regional state, by taking the mandatory guidance elements/requirements of IPPF (the core principles, the definition, standards and the code of ethics) as a benchmark.

1.3 Research Questions

The study has been developed the following research questions:

1. How different steps of internal audit; risk assessment and prioritization, planning, field work, reporting and follow-up on audit reports are undertaken in public sectors?
2. Whether the IAAs have an approved internal audit charter in selected public sector?
3. How the internal audit objectivity and independence practiced?
4. Does the internal audit staff maintain the expected proficiency (knowledge, skill,etc.) and exercise due professional care?
5. Does the code of ethics govern the behavior of individuals and organizations in conducting audit activities?

1.4 Objectives of the study

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

1.4.1 General Objectives of the study

The general objective of the study was to assess the practices of internal audit in the study area.

1.4.2 Specific Objectives

1. To examine steps of internal audit; risk assessment and prioritization, planning, field work, reporting and follow-up on audit reports were undertaken in the study area
2. To assess whether the IAAs in sample public sectors have an approved internal audit charter and the periodic revision of those charters;
3. To assess the internal audit objectivity and independence organizationally;
4. To examine internal auditors professional competency and their due professional care;
5. To evaluate how the code of ethics governs the behavior of individuals and organizations in conducting audit activities.

1.5 Scope and limitation of the study

1.5.1 Scope of the Study

The scope of this study covers six selected public sectors in the regional government of oromia. This study was limited to assess the practices of internal audit in Bureau level oromia public sectors. Geographically, it is limited to Addis Ababa.

1.5.2 Limitations of the study

This study was limited both in area coverage and time. Due to resource and time constraints not all Bureau of regional government oromia public sectors was involved in the study. A sample of six (6) Bureaus of oromia pulic sectors was purposively selected.

1.6 Significance of the study

The study provides valuable information to the public bodies and academicians about the current practice of internal audit in the study areas; i.e., it is identifying major problems in auditing procedures and day to day practices. Further, this study is initiated to generate and add some information to the existing knowledge of the relevance of internal audit that have been contributions for clear understanding of the current practice of internal audit. The findings of this research would be provide multipurpose information to different users, including public sectors, government, policy planners, academicians and the public at large and it could use top management and development policy makers.

CHAPTER TWO: REVIEW OF LITERATURE

2.1 Theoretical Review

2.1.1 The Concept of Internal Auditing

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

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

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

This definition of internal auditing was first officially published in June 1999 by the IIA (Nagy and Cenker, 2002). The definition and the Standards are the authoritative references for the internal auditor in undertaking the practice of internal audit (Abdolmohammadi, 2009; Bou-Raad, 2000).

The definition clearly mentions the aims of internal auditing as to add value to the entity by improving the information quality for decision-making (Bou-Raad, 2000). For this purpose, it needs to involve the internal auditor in all operations of the organisation to create and maintain an effective internal control by providing assurance and consulting activities (Bou-Raad, 2000; Driessen and Molenkamp, 1993). These activities must be conducted in an independent and objective manner (Brody and Lowe, 2000; Messier and Schneider, 1988; Rittenberg and Purdy, 1978; Siddiqui and Podder, 2002). Furthermore, the activities of an internal audit include risk management, and control and governance processes that are carried out using a consultative approach and focus on efficiency and the effectiveness of operation (Bou-Raad, 2000). Consequently, current practice of internal audit requires an internal auditor to have broad competence.

2.1.2 Types of Audits Performed by Internal Auditors

A variety of audits were performed in the review of campus programs and resources. These audits include:

Operations Audits: These audits examine the use of resources to determine if resources are being used in the most effective and efficient manner to fulfill the organization's mission and objectives.

Financial Audits: These audits review accounting and financial transactions to determine if commitments, authorizations, and receipt and disbursement of funds are properly and accurately recorded and reported. This type of audit also determines if there are sufficient controls over cash and other assets and that adequate process controls exist over the acquisition and use of existing resources.

Compliance Audits: These audits determine if entities are complying with applicable laws, regulations, policies and procedures. Examples include federal and state laws, and Trustee policies and regulations.

Information Systems Audits: These audits review the internal control environment of automated information processing systems and how people use these systems. The audits usually evaluate system input, output; processing controls; backup and recovery plans; system security; and computer facilities.

Internal Control Reviews: These audits focus on the components of the major business activities, such as payroll and benefits, cash handling, inventory and equipment, physical security, grants and contracts, and financial reporting.*(@ Arens,1999,p,12)*

2.1.3 The Institute of Internal Auditors (IIA)

The Institute of Internal Auditors (IIA) is an international professional association with global Headquarters in Altamonte Springs, Florida,USA. IIA was established in 1941. The IIA is the internal audit profession's global voice, recognized authority, acknowledged leader, chief advocate, and principal educator. Generally, members work in internal auditing, risk management, governance, internal control, information technology audit, education, and security. And its mission is to Provide dynamic leadership for the global profession of internal auditing; advocating and promoting the value internal audit professionals adds to organizations; providing comprehensive professional educational and development opportunities, standards and other professional practice guidance, and certification programs; researching, disseminating, and promoting knowledge concerning internal auditing and its appropriate role in control, risk management, and governance to practitioners and stakeholders; educating practitioners and other relevant audiences on best practices in internal auditing and bringing together internal auditors from all countries to share information and experiences.

2.1.4 International Professional Practices Framework (IPPF)

The Global Institute of Internal Auditors has developed a comprehensive range of standards, guidance and guides to help internal auditors around the world in their work.

The International Professional Practices Framework (IPPF, 2017) has been developed to organize the full range of internal audit guidance from IIA Global in an accessible way. It includes two types of guidance:

1. **Mandatory Guidance**

IIA members are required to comply with mandatory guidance. This guidance is developed after consultation with members. These are:

- Core Principles
- Definition of Internal Auditing
- Code of Ethics and
- International Standards of internal auditing

2. **Recommended Guidance**

IIA members are recommended to comply with this guidance. It describes practices for the effective implementation of The Core Principles, The IIA's Code of Ethics and the International Standards for the Professional Practice of Internal Auditing (International Standards).

Mission statement

Institute of Internal Auditors:

To enhance and protect organizational value by providing risk-based and objective assurance, advice and insight;

The Mission Statement to the IPPF provides a clear and succinct description of what internal audit aspires to achieve within organizations. Like a typical mission statement, the Mission of Internal Auditing describes internal audit's primary purpose and overarching goal.

2.1.4.1. Core Principles

The Core Principles, taken as whole articulate internal audit effectiveness. For an IAF to be considered effective, all Principles must be present and operating effectively.

How an internal auditor, as well as an IAF, demonstrates achievement of the Core Principles may be quite different from organization-to-organization but, failure to achieve any of the Principles implies that an IAA is not as effective as it could be in achieving IA's mission.

1. Demonstrates integrity.
2. Demonstrates competence and due professional care.
3. is objective and free from undue influence (independent).
4. Aligns with the strategies, objectives, and risks of the organization.
5. Is appropriately positioned and adequately resourced.
6. Demonstrates quality and continuous improvement.
7. Communicates effectively.
8. Provides risk-based assurance.
9. is insightful, proactive, and future-focused.
10. Promotes organizational improvement.

Figure 2.1. International Professional Practices Framework

2.1.4.2 Definition of Internal Auditing

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

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

2.1.4.3 Code of Ethics

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

Table 2.Summary of the Code of Ethics

Rule	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.

The purpose of the Code is to promote an ethical culture in the profession of internal auditing

2.1.4.4 International Standards for the Professional Practice of Internal Auditing

The International Standards are authoritative guidance for the internal audit profession from the Global IIA. Internal auditing is conducted in diverse legal and cultural environments; for organizations that vary in purpose, size, complexity, and structure; and by persons within or outside the organization. While differences may affect the practice of internal auditing in each environment, conformance with the IIA's International Standards for the Professional Practice of Internal Auditing (Standards) is essential in meeting the responsibilities of internal auditors and the internal audit activity (IAA).

The purpose of the Standards is to:

- ✓Guide adherence with the mandatory elements of the IPPF.
- ✓ Provide a framework for performing and promoting a broad range of value-added internal auditing services.

- ✓ Establish the basis for the evaluation of internal audit performance.
- ✓ Foster improved organizational processes and operations.

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

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

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

Furthermore, the Standards use the word “must” to specify an unconditional requirement and the word “should” where conformance is expected unless, when applying professional judgment, circumstances justify deviation.

Categories of internal audit standards

1) **Attribute standards-** numbered in 1000s; govern the responsibilities, attitudes and actions of organization’s internal Audit function (IAF) and parties performing internal audit activities. Apply to IAAs and individual internal auditors.
2) **Performance standards-** numbered in the 2000s, govern describe the nature of internal audit and provide quality criteria to measure the performance of IAA against. Apply to IAAs and individual internal auditors.
3) **Interpretations** are provided by the IIA to clarify terms and concepts referred to in Attribute of Performance Standards.
4) **Implementation Standards-** expand attribute and professional standards and apply them to specific types of assurance or consulting engagements. They may deal with industry specific, regional or specialty types of auditing services. They have unique format Example 1000 A1 for Auditing “A” and 1000C1 consulting “C”.

2.1.4.5 Attribute Standards

1.1. (1000) Purpose, Authority and Responsibility

The purpose, authority, and responsibility of the IAA must be formally defined in an internal audit charter, consistent with the Mission of Internal Audit and the mandatory elements of the IPPF. The chief audit executive (CAE) must periodically review the internal audit charter and present it to senior management and the board for approval.

1.1.1. (1010) Recognizing Mandatory Guidance in the Internal Audit Charter

The mandatory nature of the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards, and the Definition of Internal Auditing must be recognized in the internal audit charter.

1.2. (1100) Independence and Objectivity

The IAA must be independent, and IAs must be objective in performing their work.

The audit activities is the need of organizational independence and objectivity which can allow the audit activity to conduct work without interference by any party. The independence and objectivity of internal auditing is with respect to both assurance services and consulting for the organization. Independence and objectivity are closely related where the freedom from conditions that may threaten objectivity and no significant quality compromises are made during rendering the audit service (Altamonte Springs, FL. IIA, 1999a). In fact, the audit activity should have sufficient independence from those it is required to audit so that it can both conduct its work without interference and be seen to be able to do so (Institute of Internal Auditors, 2001). This is very crucial element in conducting audit because the auditors can access to any document relating to the audit work without favor and fear. This will make the auditors provide the objective report and reliable professional judgment on the auditing work to achieve the mandate given to them with integrity. Independence of auditors would not be considered to be impaired if the auditors do not appear to act in a capacity equivalent to a member of client management or as an employee (Caplan and Kirschenheiter, 1999). In certain extent there is a confusion of the role of IA as internal auditors are part of the management team and at the same time to independently evaluate management‟s effectiveness and efficiency (Saren and De Beelde, 2006).

1.2.1. (1111) Direct Interaction with the Board

The CAE must communicate and interact directly with the board.

1.2.2. (1112) The Chief Audit Executive Roles beyond Internal Auditing

Where the CAE is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards must be in place to limit impairments to independence or objectivity.

1.2.3. (1120) Individual Objectivity

Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest.

1.2.4. (1130) Impairment to Independence or Objectivity

If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties.

1.3. (1200) Proficiency and Due Professional Care

Engagements must be performed with proficiency and due professional care.

(1210) Proficiency

Internal auditors must possess the knowledge, skills and other competencies needed to perform their individual responsibilities.

1.3.2. (1220) Due Professional Care

Internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility.

1.3.3. (1230) Continuing Professional Development

Internal auditors must enhance their knowledge, skills and other competencies through continuing professional development.

2.1.4.6 Performance Standards

1.5. (2000) Managing the Internal Audit Activity

The CAE must effectively manage the IAA to ensure it adds value to the organization. The related parameters of the standards state that the CAE must establish a risk-based plan to determine the priorities of the IAA, consistent with the organization's goals; must communicate the IAA's plans and resource requirements, including significant interim changes, to senior management and the board for review and approval; and must ensure that internal audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan.

As per the standard, 2040, the CAE must establish policies and procedures to guide the IAA. Regarding share of information, coordinate activities, and consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimize duplication of efforts the CAE should perform actively.

The CAE must report periodically to senior management and the board on the IAA's purpose, authority, responsibility, and conformance with the Code of Ethics and the Standards, and when an external service provider serves as the IAA, the provider must make the organization aware that the organization has the responsibility for maintaining an effective IAA.

(2100) Nature of Work

The IAA must evaluate and contribute to the improvement of the organization's governance, risk management, and control processes using a systematic and risk-based approach.

1.7. (2200) Engagement Planning

Internal auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing, and resource allocations. In planning the engagement, internal auditors must consider: the strategies and objectives of the activity and the means to control its performance, the significant risks and the means by which the potential impact of risk is kept to an acceptable level, the adequacy and effectiveness of the activity's governance, risk management, and control processes compared to a relevant framework/model, and the opportunities for making significant improvements. Sufficiency of the scope, establishment of the objective for each engagement, determining appropriate and sufficiency of resources, and developing of work programs should be must undertake by IAs.

1.8. (2300) Performing the Engagement

IAs must identify, analyze, evaluate and document sufficient information to achieve the engagement's objectives. They also must identify and document sufficient, reliable, relevant and useful information to achieve the engagement's objectives; and base conclusions and engagement results on appropriate analyses and evaluations. Furthermore, audit engagements must be properly supervised to ensure objectives are achieved, quality is assured and staff is developed.

1.93. (2400) Communicating Results

Internal auditors must communicate the results of engagements. These communications must include the engagement's objectives, scope, and results; be accurate, objective, clear, constructive, complete and timely. If a final communication contains a significant error or omission, the CAE must communicate corrected information to all parties who received the original communication.

Engagements conformance is appropriate when it is conducted in conformance with the International Standards for the PPIA and supported by the results of the QAIP. However, non-conformance impacts a specific engagement, communication of the engagement results must disclose the: with which full conformance was not achieved, reasons for non-conformance and its impact, the CAE must communicate results to the appropriate parties. Also when an overall opinion is issued, it must take into account the strategies, objectives, and risks of the organization; and the expectations of senior management, the board, and other stakeholders.

1.10. (2500) Monitoring Progress

The CAE must establish and maintain a system to monitor the disposition of results communicated to management. He/she also must establish a follow-up process to monitor and ensure that management actions have been effectively implemented, and monitor the disposition of results of consulting engagements to the extent agreed upon with the client.

1.11. (2600) Communicating the Acceptance of Risks

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

2.2 Empirical Review

The study conducted by Yisehak (2013) the research entitled "**Internal audit practices in the Ethiopian Financial sector, as compared to the International Professional Practicing Framework (IPPF) pronounced by the IIA"**, to compare the existing internal audit practices in the Ethiopian financial sector by taking the framework as a benchmark. The financial sector in Ethiopia comprises of banks, insurance companies and microfinance institutions. A mix of sample was taken from all and the research deployed three data collection methods: questionnaires, interview and document review. The results of the research revealed that the current practices of internal audit activities (IAAs) in the Ethiopian financial sector did not comply with the IPPF guidelines that promulgated by the IIA. Furthermore, there were no quality assurance and improvement programs in place by those financial institutions that can make their internal audit practices head towards the level of being IPPF complaint. The research recommended that the current IAAs in the Ethiopian financial sector should comply with IPPF to make them value adding in the areas of risk management, internal control and governance. It was also recommended that those institutions need to introduce quality assurance and improvement programs, both internal/external and/or periodic/ongoing, to periodically review and improve the quality of their IAAs. (Yisehak, 2013)

Hamdu, etal,2014) in their article entitled **"Internal auditing standards and its practice the case of East Arsi Zone, Ethiopia"** presented the result of their case study that evaluated the current practices of internal auditing in the internal audit departments of selected public enterprises in East Arsi Zone, Ethiopia as compared to major internal audit standards. The purpose of the study was to investigate how major internal audit standards are applied in the internal audit departments of selected public enterprises in East Arsi Zone of Ethiopia, taking competency, compliance, Independency, Risk management and quality assurance as major parameters of the IIA standard for comparison. 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 and much time is devoted in performing financial and compliance audits. Regarding quality assurance program, none of the respective public enterprises' audit departments have quality assurance programs. Thus, CAE should be able to develop quality assurance programs,(Hamdu, 2014).

Bethlehem Fekadu(2000), conducted research on **"Internal Audit Practices: A Case of Ethiopian Governmental Higher Educational Institutions" for the purpose of** investigating challenging factors that have influenced the Ethiopian higher governmental institutions' internal audit practices. The study was done on four universities, Adama, Hawasa, Haramaya and Addis Ababa Universities. Seven internal auditors who were selected using convenience sampling techniques were used as data source and open-ended and closed ended questionnaires were used as data gathering tools. Then qualitative approaches were employed to analyze and interpret the filled in data. The findings of the study showed that IAAs in the sample Universities lacked the following: none of the sample universities have established the audit committee, their Internal Audit departments were not sufficiently resourced that affected their effectiveness, no developmental programs for their internal auditors, risk-based internal audit plans were not established and none of the respective universities' audit departments have quality assurance program including the internal and external quality assessment processes as required by ISPPIA No.1300. Proper management commitment and other organizational factors were critical factors influencing effectiveness of IAF in the respective universities. The research concluded that proper management commitment, lack of capacity development programs for internal auditors and other organizational factors were critical factors influencing effectiveness of IAF in the respective universities. To alleviate those problems, it was recommended that management and the audit division of the respective universities has to work jointly to improve the IAF of their respective universities as per requirements of international standards. (Fekadu, 2009)

Tamiru Tsegaye(2018), conducted a research on '**The internal audit practices in private commercial banks of Ethiopia''** with a general objective of assessment of internal audit practice. The research was focused on five private banks that selected by using purposive sampling technique. The qualitative and quantitative data types were applied in the study. And the data were collected by using questionnaires and document review. The result reveled that, the current practices of internal audit in Private Commercial Banks of Ethiopia through taking the Mandatory Guidance requirements of IPPF as a benchmark could be summarized into three groups: components of standards that fairly complied, did not adequately complied, and poorly (below the expectation) complied within the selected private banks. The existing healthy conformance with certain mandatory Guidance requirements of the IPPF should be kept up and goes to the sound conformance level by all elements. And lastly, it was attached with poor/below the expectation/ conformance, the Quality Assurance and Improvements Program (QAIP) standard. The researcher recommended that the existing inadequate conformance have to make improvements until it satisfy the needs of all stakeholders; and, the Quality Assurance and Improvements Program (QAIP) standard; should be carried out properly by all Private Commercial Banks of Ethiopia were the given ways to curve all unsatisfactory conformances of the mandatory guidance requirements by private commercial banks of Ethiopia.

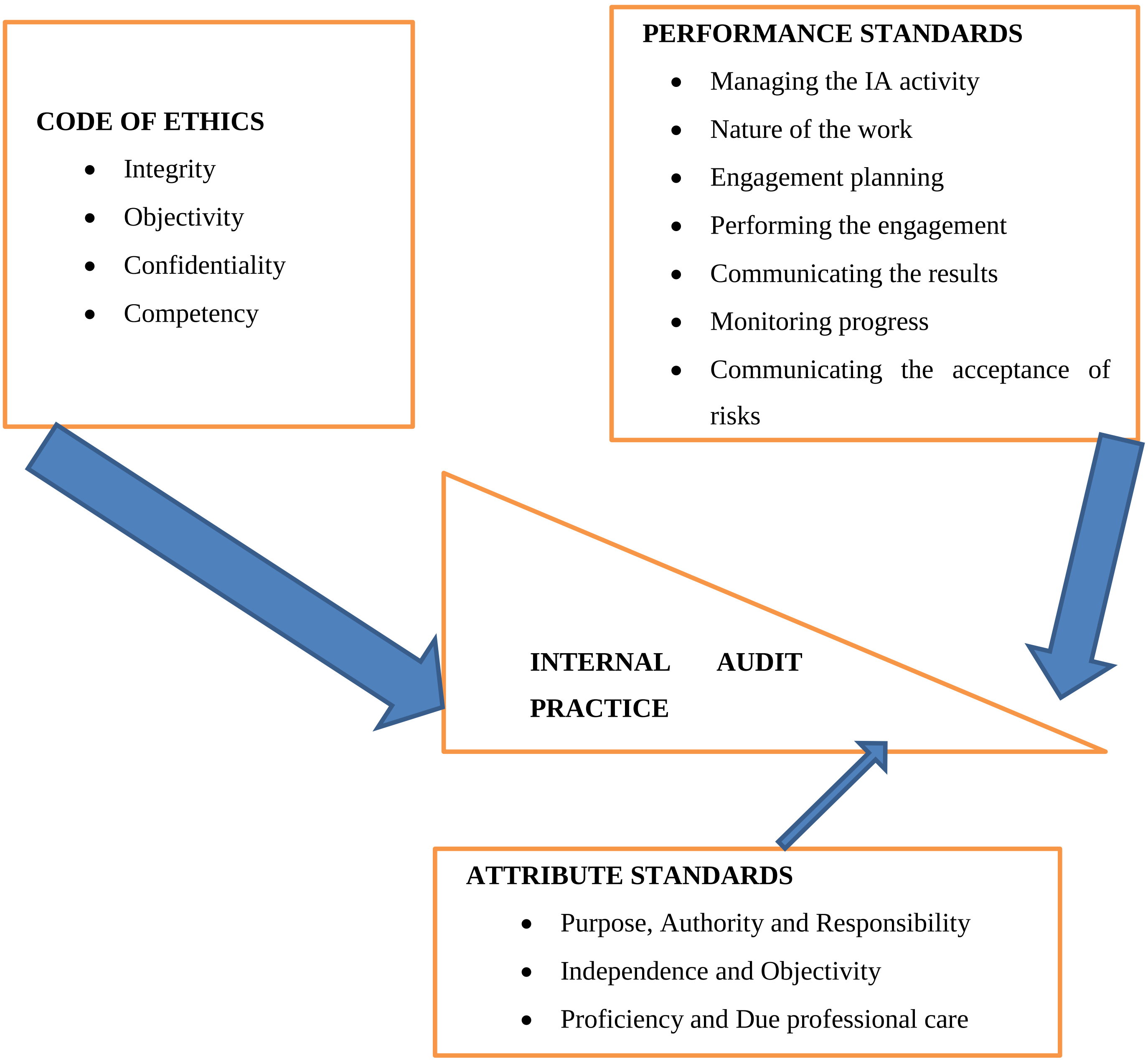
2.2.1 Gaps in the literature

The research which was conducted before, regarding internal auditing related topics at various organizations in Ethiopia. By the definition of IIA, the internal audit is expressed as a profession that is moving from its traditional view (approach) to the new risk-based view (approach). Since internal auditing in today is different from internal auditing yesterday and before, it is under a continuous review and progress (Reding et al. 2013).

Therefore, as a global guidance-setting body, the IPPF organizes authoritative guidance that promulgated by the IIA. The IIA provides internal audit professionals worldwide with authoritative guidance organized in the IPPF as **mandatory guidance** and **recommended guidance**. Conformance with the principles set forth in mandatory guidance is required and essential for the professional practice of internal auditing. These mandatory guidance elements are categorized into two namely attribute standards and performance standards. The standards together with the code of ethics encompass all mandatory elements of the IPPF. As it is a mandatory guidance, no previous research was made in Public sectors in regional government oromia by taking into account the mandatory guidance elements- International Standards for the Professional Practice of Internal Auditing (Standards) and the code of ethics.It could be seen from the above discussion that majority of the previous studies were concentrated on the effectiveness of internal audit in various organizations in Ethiopia. Very few studies were conducted on the area of assessing the internal audit practices in different sectors and industries. As well, since to-date, no research has been done by paying a special attention to assess the practices of internal audit in study area by taking the mandatory guidance elements: the international auditing standards and the code of ethics as a yardstick. Hence, this study attempts to fill the gap by assessing the practice of internal audit in study area.

2.3 Conceptual Framework of Research

Figure: 2. 2: Conceptual Framework of the study



Source: Developed by the researcher Based on review of literature (2018)

CHAPTER THREE

3. RESEARCH Design and METHODOLOGY

3.1. Research Methodology

There are three alternative strategies of inquiry: qualitative, quantitative and mixed approaches. These approaches are different in terms of their philosophical assumptions as well as techniques used in data collection, analysis and interpretation, and are discussed in the subsequent paragraphs.

Qualitative research approach explores attitudes, behaviors and experiences through methods such as in-depth interview and/or focus group discussion (Dawson 2002). It uses narrative, phenomenological, ethnographies, grounded theory and case studies. The researcher collects open-ended emerging data with the primary intent of developing themes from the data (Creswell 2007). Qualitative approach attempts to get an in-depth opinion from participants. Apart from this, it facilitates responses, and provides data in-depth with leading respondents (Dawson 2002). It is capable to generate a theory by addressing issues which cannot be quantified. It also explores issues which are not studied in the past properly (Creswell 2007). However, this approach has been given less than a fair sense of appreciation. It has been criticized for lack of scientific rigor, small samples, subjective and nonreplicable efforts. The researcher's interference in the research process is very high that results bias due to small sample size and uniqueness of the research setting. It is also very difficult to make generalization to the whole population.

The second approach, quantitative research, generates statistical data through the use of large scale survey research, using methods such as close-ended questionnaires and/or structured interviews (Dawson 2002). Creswell (2009) noted that quantitative approach employs strategies of inquiry such as experiments and surveys, and collect data on predetermined instruments that yield numeric data that can be analyzed using statistical procedures. It is a means for testing objective theories through examining the relationship among variables. It is advantageous as it, procedurally, follow scientific approach, tests reliability and validity of the instrument. It minimizes bias from the researcher's influence and employs large sample size. Hence, the results can be believed on and the results can be generalized to larger population. However, it is not capable to address issues which cannot be quantified. So that, it may has limited scope.

Finally, mixed methods approach is the blend of both qualitative and quantitative approaches. It employs strategies of inquiry that involves collecting data either simultaneously or sequentially to best understand the research problem. The data collection involves gathering both numeric information and text information (Creswell 2009). Mixed approach includes the use of theory deductively in theory testing and verification, or inductively in an emerging theory or pattern (Mertens 2003 cited in Creswell 2007). Therefore, the combination provides an expanded understanding of the research problems. It utilizes the strengths and overcomes the weaknesses of the two continuum approaches. However, incorporating both designs requires a great level of effort from the researcher such as need for extensive data collection. Mixed approach characterized by its time-intensive nature of analyzing both numeric and text data.

To sum up, in order to achieve the research questions stated in the previous section, the researcher used both qualitative and quantitative approach (mixed approach) in collecting and analyzing data as discussed in the following section. The selection of one over the other approach for the conduct of the study is based on the research problem (issue or concern that needs to be addressed), the researcher's own personal experience and the will and support of the audiences (Creswell 2009).

3.2. Research Design

The study used descriptive method to show accurately the characteristics of a particular situation. Moreover, it helps the researcher to gather several kinds of data related to the subject under study.

3.3. Research Method

3.3.1 .Types and source of data

In order to meet the objectives of the study on the assessment the practice of internal audit both qualitative and quantitative data was collected from primary and secondary source. The survey questionnaires were distributed to the selected public sectors' internal auditors was the primary and major source of data gathering instrument. Review of the related literatures especially the IPPF standards-2017 used as a secondary means of data gathering instruments for the study.

3.3.2. Target population

The target population of the study was directed to all sectors of the regional government oromia that have been currently operating in oromia. (54sectors).

3.3.4. Sample Size and Sampling Techniques

Out of fifty four sectors in regional government of oromia , only six sectors; Bureau of education, Bureau of Water, Mineral and Energy, Bureau of Agriculture and Natural resource, Bureau of Revenue Authority, Bureau Transportation Authority and Bureau of Finance and Economic Cooperation were selected by using purposive sampling method. These sectors were taking into consideration due to their higher budget allocation, resources mobilization, investment activities and risk area relative to other sectors. Since the scope and exposure of internal auditing activities at selected sample is wider, the study employed only internal auditors who were assigned at Internal Audit Departments of the selected sectors. Moreover, in order to satisfy the adequacy and representativeness of the sample, all internal audit staffs (Team Leader, senior auditors and Officers) of the Departments/units, 48 in number, are assumed for filling the questionnaire. Accordingly, 5, 8, 6, 7, 5 and 17 staffs of Bureau of education, Bureau of Water, Mineral and Energy, Bureau of Agriculture and Natural resource, Bureau of Revenue Authority, Bureau Transportation Authority and Bureau of Finance and Economic Cooperation respectively were fully recognized in the sample.

3.3.5. Methods of Data Collection

The study was used primary and secondary data collection methods. The primary source of data was from Internal Auditors through questionnaire distribution and the required secondary data were collected by review of the related documents.

3.3.6. Methods of Data Analysis

After the data are collected, the following activities on data processing have been carried out. The raw data are converted into suitable form for analysis and interpretation. This is achieved through sequences of activities including editing, coding, entry, and tabulation. The objectives are to check the completeness, internal consistency and appropriateness of the answers to each of the questions. Finally, an analysis progress are developed using Statistical Package for Social Science SPSS version (20.0).

The analyzed data had been described and summarized by using the descriptive statistics methods by measure of central tendency (mean) values, frequency, percentage, measure of central dispersion (standard deviation). Finally, the results of the study were presented by using tables, figures and charts, etc.

3.7 Description of Variables and Model specification

3.7.1 Definition of variables

Once the analytical procedure and its requirements are known, it is necessary to identify the potential explanatory and dependent variables. Different variables are expected to affect the practice of internal audit (the dependent variable). The major variables influencing the practice of internal audit and the direction of their effect are presented and explained below.

3.7.1.1 Dependent variable

Dependent variable is the estimated result of the independent variable being operated and whose value depends on the value of independent or explanatory variables and also it measures to demonstrate the effect of the independent variables. Therefore, on the study the dependent variable is assessment of practice of internal audit.

3.7.1.2 Independent Variables

Independent variables are variables that are expected and have more explanatory power on the dependent variable, i.e., practice of internal audit. For the purpose of this study the researcher has included **relating to compliance with the internal auditing standards**(**Attribute Standards Compliance:** Internal audit charter, Internal audit objectivity and independence, Internal audit staff proficiency and due professional care and Quality assurance and improvement program) and (**Conformance with performance standards :**Managing the internal audit activity**,** Nature of the work**,** Engagement planning, performing engagements, Communicating the results, Follow up and Acceptance of risks standards) And **Conformance with the code of Ethics**(like, Integrity, Objectivity, Confidentiality and Competency) as independent variables assuming that it is best to explain the practice of internal audit in the study areas.

CHAPTER FOUR: RESULTS AND DISCUSSION

4.1. Introduction

This chapter consists of two major sections. The first section highlights regarding the data that was gathered for the analysis in the chapter. The second section presents the output data via using the SPSS and its results. The final section, section three, views an exhaustive discussion and analysis on data that was collected through using 48 questionnaires.

4.2. Highlights regarding the Collected Data

Basically, the primary source of data gathering instrument, questionnaires distribution and collection, was considered in the study. The self-administered questionnaires were distributed to the selected six sectors of oromia regional state and addressed to all internal audit staffs.

For simplicity, four quality levels were set as a yardstick to measure the conformance level of Mandatory guidance requirements/elements (International Auditing Standards and the Code of Ethics) by oromia regional state based on the average mean values that were reflected in each scenario. These quality levels could be 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.

4.3. Discussion of Data from Questionnaire Results

The following section presents respondents profile in terms of gender, age, and education, current position, membership to professional associations, work experience as internal auditor and work experience other than internal audit in years; and finally about internal audit staffing of their internal audit department/unit.

4.3.1 Summary of Respondents' Profile

a. **Gender Profile**

Table 4.1. Gender profile

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	37	77.1	77.1	77.1
	Female	11	22.9	22.9	100.0
	Total	48	100.0	100.0	

Source: Questionnaire results analysis by SPSS,2019

While reviewing the gender mix of the respondents it could be summarized that 37 respondents having 77% were male and the remaining 11 female respondents shared 23% of the ratio. The analysis results reflected that the internal auditors gender mix in the selected Sectors were male and female and out of it, the majority, 77%, was represented by male auditors. Therefore, the female internal auditors' participation in the profession was low.

b. Age Profile

Table 4.2.Age profile

Age		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	<30 years	5	10.4	10.4	10.4
	30-40 years	31	64.6	64.6	75.0
	41-50 years	9	18.8	18.8	93.8
	51-60 years	2	4.2	4.2	97.9
	>60 years	1	2.1	2.1	100.0
	Total	48	100.0	100.0	

Source: Questionnaire results analysis by SPSS,2019

Age profile of the respondents was summarized into five groups. The lion share was taken by 31 respondents that possessed 64% of the total having 30-40 years, followed by 9 respondents that held 19% and having age ranges from 41-50 years. The remaining 5 respondents in total took 10% having ages below 30 years , 4.2%, 2 respondents having ages in between 51-60 possessed 2.1% and 1 respondents having years above 60 years .

Majority of the respondent auditors' age ranges fall in between 30-50 years (40 auditors having 83% share). This reflected that greater part of the internal audit activity was undertaken by more productive and well matured aged internal auditors. The next share was taken by 9 (18.8%) internal auditors having age ranges in between 51-60 years (highly matured).and followed by internal audit staffs having below 30 years ages (younger) 5 (10.4%) Only 1 auditors were exercising in the profession beyond 60 years (elders) in the selected Sectors

c. Educational Level Profile.

Table4.3. Educational level profile

Educational level		**Frequency**	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	BSC/BA degree	42	87.5	87.5	87.5
	MSC/MA/MBA	6	12.5	12.5	100.0
	Total	48	100.0	100.0	

Source: Questionnaire results analysis by SPSS, 2019

It could be understood from the foregoing table that the respondents' educational level was categorized into two: majority respondents that bearing Degree were 42 in number and possessed 87.5% and 6 respondents that bearing Masters were shared 12.5% of the total. We could summarize the educational profile of the respondent internal auditors of selected sectors into two: the significant share was possessed by Degree holders and the remaining share by Master related documents holders. Accordingly, the existing merge of educational level of respondent auditors in sectors was good and could enhance the auditors to undertake their day to day internal audit activities well.

d. Any Certification Related to the Profession

Table4. 4. Any Certification Related to the Profession

Any certification related to the profession		**Frequency**	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	ACCA	1	2.1	2.1	2.1
	CIA	1	2.1	2.1	4.2
	No related certification	46	95.8	95.8	100.0
	Total	48	100.0	100.0	

Source: Questionnaire results analysis by SPSS, 2019

Out of 48 respondents, only 2 respondents were possessed related certificates to the profession: 1-ACCA and 1-CIA certificates. The majority, 48 respondents possessed 95.8% of the total exercising the profession without any related certification.

While discussing the results of the above table, with the exception of two respondents, the remaining auditors have been exercising the audit profession without having any related certification. It was contrary to the audit standard no. 1200- Proficiency and due professional care. Based on the results, the existing internal auditors of the selected sectors did not support their profession by the related adequate trainings and professional certifications.

e. The Current Position of Respondents in the Organization

Table4.5.The Current Position of Respondents in the Organization

What is your current position in the organization?		**Frequency**	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	Team Leader	4	8.3	8.3	8.3
	Senior internal Auditor	28	58.3	58.3	66.7
	Internal Audit officer	16	33.3	33.3	100.0
	Total	48	100.0	100.0	

Source: Questionnaire results analysis by SPSS, 2019

A current position of the respondents in their organizations was summarized into three parts: Team leaders, senior internal auditors and internal audit officers. 28 senior internal auditors shared the leading percentage 58.3% and internal audit officers that were 16 in number shared the next higher percentage, 33.3%. The least share, 8.3% was possessed by 4 team leaders.

Majority of internal auditors (44 auditors, possessing 91.6%), according to the analysis results, sided to officers (senior and internal audit officers) and out of it the greater part was possessed by senior internal auditors (28 auditors, 58.3%) and then followed by internal audit officers (16 auditors, 33.3%).

f. Total Years of Audit Experience Including the Current Position Profile

Table4.6. Total Years of Audit Experience Including the Current Position

Total years of audit experience including the current position		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	<5 years	13	27.1	27.1	27.1
	5-10 years	22	45.8	45.8	72.9
	11-15 years	10	20.8	20.8	93.8
	16-20 years	3	6.3	6.3	100.0
	Total	48	100.0	100.0	

Source: Questionnaire results analysis by SPSS, 2019

The respondents' years of experience regarding the audit profession were grouped into four parts. The majority share, 45.8%, was covered by 22 respondents that had 5-10 years of audit experience. 13 respondents that had below 5 years of audit experience possessed 27.1% and followed by 10 respondents who had 11-15 years of audit experience by taking 20.8% share. The least share, 6.3%, was possessed by 3 respondents who had ample experience in the profession from 16-20 years. Most of the respondents 32(66.6%) have ten to fifteen years of audit related experiences including the current position in the organization. This result reflected that the majority of audit staffs selected sectors have been possessed by well experienced internal auditors. The following huge share, 13 respondents (27.1%), was taken by internal auditors who have below five years of audit related experiences. The least share, 6.3%, share was sided to three internal auditors who have total years of audit related experiences in between 16-20 years. This age group might be named as a group that was represented by highly experienced audit staffs.

g. Respondents' Opinion on their Internal Audit Staffing

Table4.7. Respondents' opinion regarding their Internal Audit Staffing

Your internal audit unit or department staffing		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Adequately staffed	6	12.5	12.5	12.5
	Moderately staffed	39	81.3	81.3	93.8
	poorly staffed	3	6.3	6.3	100.0
	Total	48	100.0	100.0	

Source: Questionnaire results analysis by SPSS, 2019

39 respondents that attained 81.3% of the total percentage responded their internal audit department/unit staffing was moderately staffed. 3 respondents that possessed 6.3% answered that their audit department/unit poorly staffed and the remaining 6, by taking 12.5% share percentage, responded that their audit department/unit had staffed adequately. With the exception of ten respondents' that possessed 6.3% share of the total, and believed that their internal audit staff strength was adequate; the remaining respondents' opinions regarding their internal audit staff strength was revealed as inadequate and responded by 42 respondents' that possessed the total share of 87.6% percentage. This result stood against the international auditing standard, managing the internal audit activity-Resource management standard no. 2020.

4.3.2. Compliance with the International Auditing Standards

This section presents the current practices of internal audit in sample sectors of Oromia regional state against the conformance level with the IPPF mandatory guidance elements: the revised standards for the professional practice of Internal Auditing (that was released by the Internal Audit Standards Board and effective January 2017) and the code of ethics.

h. Attribute Standards Compliance Analysis

Table4.8. Defining the Internal Audit Activities in the Charter

Descriptive Statistics	N	Minimum	Maximum	Mean	Std. Deviation
The IAA's purpose, authority, and	48	1	5	3.96	.922
The internal audit charter is periodically	48	1	5	3.60	.881
The mandatory nature of the Core	48	1	5	3.88	1.299
Valid N (list wise)	48				

Source: Questionnaire results analysis by SPSS,2019

Q2.1.1. It could be understood from the respondents' results that the internal audit charter in their organization encompassed and well defined the IIA's purpose, authority and responsibility by the mean value 3.96. The perception of the responding auditors regarding the standard was taken as considerable and represented as by the standard deviation value less than 1. It indicates that the perception of the respondents same.

Q2.1.2.The respondents' (internal auditors) results revealed that the internal audit charter of the sample sectors bureau oromia regional state was reviewed periodically and presented to the management; believed as good and exhibited by the average mean value above 3.60. The internal auditors' perception was presented by the standard deviation value less than 1and it could be considered as there was a not differed perception among each other.

Q2.1.3. Majority of (38(79%)) internal auditors that participated in responding the questionnaire regarding the standard, the recognition of mandatory guidance elements in the audit charter; were believed and demonstrated its well conformance within their work place by the mean and the standard deviation values: 3.88 and slightly above 1 respectively.

The analysis results revealed regarding the entire internal audit charter related standards that their conformance level within the selected sectors was considered as good and it also replied by the organizations' internal auditors. Moreover, defining of the internal audit activities in detail, setting the audit scope, nature including recognizing the mandatory guidance requirements of the IPPF were also briefed and documented in the respective selected sectors of oromia regional state

i. Statements Regarding Internal Audit Objectivity and Independence.

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

Q2.2.1. There is a dual reporting relationship whereby the CAE (head of Audit) report functionally to the audit committee and administratively to the Chief Executive Officer.

Q2.2.2. Where the chief audit executive has or is expected to have roles and/or responsibilities that fall outside of internal auditing, the related safeguards are in place to limit impairments to independence or objectivity.

Q2.2.3. Internal auditors have an impartial, unbiased attitude and avoid any conflict of interest.

Q2.2.4. If independence or objectivity is impaired in fact or appearance, the details of the impairment disclosed to appropriate parties of the organization.

Table4.9. Internal Audit Objectivity and Independence

Statistics		Q2.2.1	Q2.2.2	Q2.2.3	Q2.2.4
N	Valid	48	48	48	48
	Missing	0	0	0	0
Mean		3.88	3.88	3.88	3.88
Median		4.00	4.00	4.00	4.00
Mode		4	4	4	4
Std. Deviation		1.299	1.299	1.299	1.299

Source: Questionnaire results analysis by SPSS,2019

Above half of internal auditors that replied regarding the internal audit objectivity and independence standard conformance within their organizations believed was well and it was supported by the average mean values, 3.88. Also the variance in perception among internal auditors that responded for the standard represented as low by the average standard deviation value, 1.299.

The analysis results exhibited that the standards conformance; the relationships among the CAE and the CEO and regarding the internal auditors impartial, unbiased attitude; were responded by the selected sectors' internal auditors as healthy in their respective organizations. However, the remaining two standards conformance level namely; where the CAE has or is expected to have roles that fall outside of internal auditing, the related safeguards are in place to limit impairments to independence or objectivity, and if independence or objectivity is impaired in fact or appearance, the details of the impairment disclosed to appropriate parties of the organization, were addressed by the selected sectors as good and still it needs improvements.

j. Statements Regarding the Internal Audit Staff Proficiency and Due Professional Care

The following three questions were derived 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 sectors and the results were analyzed as follow.

QP2.3.1. Internal auditors possess the knowledge, skills, and other competencies needed to perform their individual responsibilities.

QP2.3.2. Internal auditors always apply the care and skill expected of a reasonably prudent and competent internal auditor.

QP2.3.3. Internal auditors enhance their knowledge, skill, and other competencies through continuing professional development.

Table4.10. Internal Audit Staff Proficiency and Due Professional Care

Statistics		**Q2.3.1**	**Q2.3.2**	**Q2.3.3**
N	Valid	48	48	48
	Missing	0	0	0
Mean		3.88	3.88	3.88
Median		4.00	4.00	4.00
Mode		4	4	4
Std. Deviation		1.299	1.299	1.299

Source: Questionnaire results analysis by SPSS.

It could be observed from the foregoing table that majority of internal auditors from the selected sectors regarding the compliance level of the standard, the internal audit proficiency and due professional care, within their organization replied as well by the average mean values of 3.88. Furthermore, the average standard deviation value of 1.299 was reflected as a variation in perception among internal auditors and it was considered as **low** in value.

According to the analysis results, the respondent internal auditors of the selected public sectors reflected regarding the standard; the internal audit staff proficiency and due professional care, conformance level within their sectors as healthy. Related to the standard, particulars, internal auditors possessed the skill, knowledge and competencies to perform their internal audit activities and enhanced their proficiency through continuous developments, were witnessed and responded by the selected sectors' internal auditors as good.

4.3.3 Conformance with Performance Standards

k. Statements Regarding Managing the Internal Audit Activity

The following questions were derived from managing the IIA standards and used as a yard stick to measure the quality level of the internal audit activities management within the sample sectors and the results were then summarized as follow.

Q2.4.1. While developing the risk-based audit plan, the CAE consults with senior management and the board and obtains an understanding of the organization's strategies, key business objectives, associated risks, and risk management processes.

Q2.4.2.The CAE communicates the IAA's plans and resource requirements, including significant interim changes, to senior management and the board for review and approval.

Q2.4.3 The CAE ensures that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.

Q2.4.4.The CAE establishes policies and procedures to guide the internal audit activity.

Q2.4.5.The CAE shares information, coordinate activities and consider relying upon the work of consulting service providers to ensure proper coverage and minimize duplication of efforts.

Q2.4.6.The CAE reports periodically to senior management and the board on the IAA's purpose, authority, responsibility, and performance relative to its plan and on its conformance with the Code of Ethics and the Standards.

Table 4.11.Managing the Internal Audit Activity

		Q2.4.1	.Q2.4.2	Q2.4.3	Q2.4.4	.Q2.4.5	Q2.4.6
N	Valid	48	48	48	48	48	48
	Missing	0	0	0	0	0	0
Mean		3.94	3.94	3.94	3.94	3.94	3.94
Median		4.00	4.00	4.00	4.00	4.00	4.00
Mode		4	4	4	4	4	4
Std. Deviation		1.174	1.174	1.174	1.174	1.174	1.174

Source: Questionnaire results analysis by SPSS.

Above half of the internal auditors believed that the IAAs were well managed in their respective sectors as per average mean values for the above six questions 3.94. Moreover, the average standard deviation value 1.00 revealed that the respondents' internal auditors perception variation regarding the activity as low (represented by the average standard deviation value 1.00).

Whereas reviewing the analysis results of the questionnaire, managing the IAA standard conformance level within the selected sectors was fair and exhibited by the average mean values above 3.5 in all aspects of the standard. While developing the risk-based audit plan, the CAE, consults the management and communicates the resource requirements including significant interim changes for review and approval; reports periodically on IAA's plan and performance; and also the CAE establishes policies and procedures to guide the IAA components of the standard were fairly complied within the selected sectors as revealed by the internal auditors' respond for the questionnaire.

l. **Statements Regarding Nature of the Work**

The following three questions from were derived from the nature of the work standards and used as a bench mark to measure the quality level of the work how it is managed in the sample sectors and the results were then summarized as follow.

Q2.5.1. The internal audit activity assesses and makes appropriate recommendations to improve the organization's governance processes.

Q2.5.2. The internal audit activity evaluates the effectiveness and contributes to the improvement of risk management processes.

Q2.5.3.The internal audit activity assists the organization in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvements.

Table 4.12.Nature of the Work

		Q2.5.1	Q2.5.2	Q2.5.3
N	Valid	48	48	48
	Missing	0	0	0
Mean		1.67	1.67	1.67
Median		1.50	1.50	1.50
Mode		1	1	1
Std. Deviation		.883	.883	.883

Source: Questionnaire results analysis by SPSS.

It could be seen from the foregoing table regarding the standard, nature of the work, a significant share were taken by internal auditors that responded that the standard was finely complied within their respective Sectors by 1.67 average mean values. The variation in perception among internal auditors that participated in filling the questionnaire was low and represented by the average standard deviation value 0.916

The analysis results witnessed that the respondent internal auditors of the selected sectors replied for the questionnaire that related to the standard, nature of the work, its well conformance and awareness within their internal audit activities. These three pillars of the standard, assessment of the organization's corporate governance, evaluation of the risk management process and assisting in maintaining effective internal control system in the organization activities were well done by internal audit units of the selected sectors

m. Statements Regarding Engagements Planning (Planning) Standards.

The following five questions were derived from the engagements planning standards and used as a bench mark to measure the compliance level within the sample sectors and the related results were also summarized as follow.

Q2.6.1. In planning the audit engagement, internal auditors consider: the strategies and Objectives of the activity being reviewed, the means by which the activity controls its performance, the significant risks, resources, the adequacy and effectiveness of the activities Governance, risk management, and control processes, etc.

Q2.6.2. Objectives established for each audit engagement concerning reflecting the results of assessment, the probability of significant errors, fraud, noncompliance, and other exposures.

Q2.6.3.The established scope is sufficient to achieve the objectives of the engagement: it includes consideration of relevant systems, records, personnel, and physical properties and other.

Q2.6.4. 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.

Q2.6.5. 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).

Table4.13. Engagements Planning

		Q2.6.1	Q2.6.2	Q2.6.3	Q2.6.4	Q2.65
N	Valid	48	48	48	48	48
	Missing	0	0	0	0	0
Mean		1.65	1.65	1.65	1.65	1.65
Median		1.50	1.50	1.50	1.50	1.50
Mode		1	1	1	1	1
Std. Deviation		.838	.838	.838	.838	.838

Source: Questionnaire results analysis by SPSS.

The above table described that majority of internal auditors believed and replied the conformance level of the standard within their respective sectors as inadequate by average mean values is less than 3.0. The variance in perception among internal auditors that participated in the study was exhibited by the average standard deviation value of 0.968 and taken as low. Regarding the engagements planning standard, the average mean results of its five components replied by the internal auditors as inadequate due to the result that stands between the value, 3.00, neutrality and the value, 4.00, agree boarders. Hence, it is difficult to trace the well acceptance of the respondent internal auditors' responses regarding the standard.

n. Statements Regarding Performing the Engagements (Field work) Standards

The following five questions that derived from engagements planning standards were used as a bench mark to measure the level of conformance within the sample public sectors and the results were also summarized as follow.

Q2.7.1. Internal auditors identify, analyze, evaluate, and document sufficient information to achieve the engagement's objectives.

Q2.7.2. Internal auditors base conclusions and engagement results on appropriate analyses and evaluations.

Q2.7.3. Internal auditors' document: sufficient, reliable, relevant, and useful information to support the engagement results and conclusions. In addition appropriate supervision evidences are part of the documentation.

Q2.7.4. Audit engagements are properly supervised to ensure that objectives are achieved and quality is assured and staff is developed.

Table 4.14.Performing the Engagements

		Q2.7.1	Q2.7.2	Q2.7.3	Q2.7.4
N	Valid	48	48	48	48
	Missing	0	0	0	0
Mean		3.50	3.50	3.50	3.50
Median		4.00	4.00	4.00	4.00
Mode		4	4	4	4
Std. Deviation		1.459	1.459	1.459	1.459

Source: Questionnaire results analysis by SPSS.

As the above table presented, majority of internal auditors replied and confirmed regarding the standard, performing the engagement, for its quality (its conformance within their organizations) as inadequate by 3.50 average mean values. Besides, the variance in perception among auditors was low and symbolized by the average standard deviation value 0.824 in aggregate.

According to the analysis results, the conformance level of performing the engagements standard was good and it reflected the well conformance within the selected sectors. Basically, in relation to the three pillars of the standard: internal auditors identify, analyze and document sufficient information to achieve the engagement results; base their conclusion and results on appropriate analyses and evaluations; and document sufficient, reliable, relevant and useful information to support the engagement results and conclusions conformance level within the selected sectors were considerably witnessed by the respondent auditors.

o. Statements Regarding Communicating Results Standards

The following seven questions that derived from communicating the results standard were used as a bench mark to measure the quality of conformance in the sample sectors and the results were also summarized as follow.

Q2.8.1. Communications include the engagements' objectives, scope, and results.

Q2.8.2. Communications are accurate, objective, clear, concise, constructive, complete and timely.

Q2.8.3. While a final communication contains a significant error or omission, the CAE communicates the corrected information to all concerned parties.

Q2.8.4. Engagements are conducted in conformance with the International Auditing Standards and it is supported by the results of the QAIP.

Q2.8.5. 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.

Q2.8.6. the CAE review and approve the final engagement communication before issuance and for deciding to whom and how it will be disseminated.

Q2.8.7. When an overall opinion is issued; it takes into account the strategies, objectives, and risks of the organization; and the expectations of management and other stakeholders

Table4.15: Communicating the Results

		Q2.8.1	Q2.8.2	Q2.8.3	Q2.8.4	Q2.8.5	Q2.8.6	Q2.8.7,
N	Valid	48	48	48	48	48	48	48
	Missing	0	0	0	0	0	0	0
Mean		3.50	3.50	3.50	3.50	3.50	3.50	3.50
Median		4.00	4.00	4.00	4.00	4.00	4.00	4.00
Mode		4	4	4	4	4	4	4
Std. Deviation		1.459	1.459	1.459	1.459	1.459	1.459	1.459

Source: Questionnaire results analysis by SPSS.

It could be understood from the above table that majority of internal auditors of the sample sectors believed that standards of communicating results were well complied within their organizations by 3.50 average mean values and the variance in perception of the auditors regarding the standard was low and identified by the average standard deviation value, 1.00

The analysis results regarding the reporting standard reflected its well conformance within the selected sectors and basically in relation to the significant portion of the standard as mentioned: 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 when the overall opinion is issued, it taken into account the strategies, objectives and risks of the organization including the expectations of the stakeholders.

p.Statements Regarding Monitoring Progress (Follow- up) Standards

The following question was derived from the standard, monitoring progress, and used as a bench mark to analyze the quality level of conformance within the sample public sectors and the related result then discussed as follow.

Q2.9.1.The CAE 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.

Table 4.16: Monitoring Progress

N	Valid	48
	Missing	0
Mean		3.50
Median		4.00
Mode		4
Std. Deviation		1.459

Source: Questionnaire results analysis by SPSS.

As the result of SPSS regarding monitoring progress standard disclosed that majority of respondent internal auditors of the sample sectors believed that the mentioned standard was moderately exercised and its result was supported by 3.50 mean values and followed by the standard deviation, 0.928 value that calculated in relation to the variance in perception among the responding internal auditors and relatively it was taken as low in figure.

The analysis result revealed that the follow-up standard conformance level within the selected sectors was inadequate and it needs further improvements to fairly stand at the side of international auditing standards acceptance level.

q. Statements Regarding the Acceptance of Risks Standards

The following question was derived from the standard that particularly related to the acceptance of risks in organizations and the results that associated with standard were presented as follow.

Q2.10.1. When the CAE concludes that management has accepted a level of risk that may be unacceptable to the organization; he/she discusses the matter with senior management. If he/she determines that the matter has not been resolved, he/she communicates the matter to the board.

Table17: Acceptance of Risks

N	Valid	48
	Missing	0
Mean		3.50
Median		4.00
Mode		4
Std. Deviation		1.459

Source: Questionnaire results analysis by SPSS.

According to the results that reflected by the above table, a significant number of internal auditors regarding the standard, acceptance of risks, conformance level within their respective sectors believed inadequate by the average mean values, 3.50. In addition, the variation in auditors' perception shown as low as per the standard deviation value 1.00

Based on the respondent internal auditors reply it could be discussed that the acceptance of risks standard conformance level within their organizations was inadequate and did not move up to the expectations from the profession.

r. Conformance with the Code of Ethics

The following four questions from were derived from the code of ethics and used as a bench mark to measure the quality of conformance within the sample sectors and the related results were narrated as follow.

Q2.11.1. The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment.

Q2.11.2. Internal auditors exhibit the highest level of professional objectivity in gathering, Evaluating; and communicating information about the activity or process being examined.

Q2.11.3. 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.

Q2.11.4.Internal auditors apply the knowledge; skills and experience needed in the performance of internal auditing services.

Table18: The Code of Ethics

		Q2.11.1	Q2.11.2	Q2.11.3	Q2.11.4
N	Valid	48	48	48	48
	Missing	0	0	0	0
Mean		3.88	3.88	3.88	3.88
Median		4.00	4.00	4.00	4.00
Mode		4	4	4	4
Std. Deviation		1.231	1.231	1.231	1.231

Source: Questionnaire results analysis by SPSS.

The foregoing table revealed that majority of internal auditors considerably accepted and replied the compliance of the ethical frameworks within their respective sectors by an average mean value of 3.88. While the standard deviation value, 1.00, was revealed and witnessed that the variance of perception among internal auditors was low. The ethical frameworks (code of ethics) conformance level within the selected public sectors was healthy and acceptable.

CHAPTER FIVE: Summary, Conclusions and Recommendations

5.1. Summary of Major Findings

The findings of the research could be summarized into five parts and their detail is discussed as follow:

A. Findings that detected from respondents' profile

- Out of 48 respondents that were participated in responding the research questionnaire, only 2 respondents (4.2%) were possessed the related certificates to the profession: 1-ACCA and 1-CIA certificates. Hence, the results clearly revealed that almost all internal auditors in Oromia regional state internal audit have been conducting their IAAs through experiences and without acquiring adequate trainings and did not detach from the traditional way.
- With the exception of few respondents (6, 12.5%) that responded about the adequacy of their audit staffing, majority of the respondents from the oromia regional state replied that their audit departments/units did not staffed adequately (42 respondents replied; moderately and poorly staffed).

B. Findings that detected from attribute related standards

- Conformance with audit charter related standards by sample oromia regional state: defining IAA's purpose, authority, responsibility in the audit charter; periodical review of the chapter; and recognizing the mandatory guidance requirements in the audit charter: was fair (average mean values below 4) and did not arrive to the level that satisfies the expectations of sound international auditing practices.
- Statements regarding internal audit objectivity and independence standard: the existence of dual reporting relationship among the audit department/unit and the Chief Executive Officer /President/ and the Board; proper setting of the related safeguards in place to limit the CAE's impairments to independence/objectivity;IAs an impartial, unbiased attitude and avoid any conflict of interest; and if independence or objectivity is impaired in fact or appearance, disclosure of the impairment to the appropriate parties of the organization; conformance was agreed (by average mean values nearly 4 (agree)) but did not arrive to the point that satisfies the expectations of sound international auditing practices.

- The level of conformance with standards that related to internal audit staff proficiency and due professional care: possession of the knowledge, skills and other competencies; application of the care and skill that expected from prudent and competent internal auditor; and whether internal auditors enhance their knowledge, skill and other competencies through continuing professional development: was accepted as good; however, did not adequately satisfy the IAS level.

  Gaps that observed in relation to performance standards

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

  D. Findings that indentified in relation to the code of ethics

- Since the aggregate value of all the code of ethics related ethical frameworks conformance by sample sectors, in general, replied by internal auditors as fair by average mean values nearly agree (4); however,when the results compared against the international auditing practices, its quality level was not as much as satisfactory (between agree and strongly agree; 4 and 5).

5.2. Conclusions

In order to ensure sound corporate governance and internal control system, in every organization, the existence of internal audit plays a vital role. Nowadays, the internal audit profession is under a dynamic and continuous improvement. Hence, the general objective of this study was to assess the quality of internal audit practices in sectors of oromia regional state: by taking the mandatory guidance elements of IPPF (the revised standards of internal auditing and the code of ethics) as a bench mark. By using data that was collected through using the primary source: the self-administered questionnaire; the quality level of the internal audit practices of the sectors were analyzed and the related conclusions were drawn as follow.

Well conformance with mandatory guidance requirements

Regarding the audit charter; the gathered results revealed that all audit charter related standards compliance level within the selected sectors was believed and responded by the participants as healthy. (Definition of IAAs purpose; authority and responsibility periodic review of the charter and recognition of the mandatory guidance elements in the charter.)

The internal audit objectivity and independence: the existence of a dual reporting relationship among the audit department/unit and the concerned organs of the public sectors, the management and the board; and the internal auditors positive stand about impartial, unbiased attitude and avoidance of any conflict of interest were jointly set the intentions of the respondents regarding their compliance level at the respective sectors at the side of well implemented.

The internal audit staff proficiency and due professional care: all the three questions that derived from the given standard were replied and exhibited by internal auditors as finely complied within the selected sectors. The responded questionnaires were referred as; whether the internal auditors possess the knowledge, skills and other competencies needed to perform their individual responsibilities; the auditors always apply the care and skill expected from a reasonable prudent and competent internal auditor; and the internal auditors enhance their knowledge, skill and other competencies through continuing professional development.

Managing the IAA; all the related responses revealed that the standard was finely complied within the selected sectors. 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 communicated to the management and approval; ensures appropriateness of resources; establishing policies and procedures to guide the IAA; shares information, coordinate activities and consider minimizing duplicate efforts; reports all IIAs periodically to the management and finally consideration of the plan for review.

Code of ethics: the results that obtained from respondent internal auditors regarding the conformity of internal auditors with the professional ethical frameworks: integrity, Objectivity, confidentiality and competency exhibited as well in all aspects.

Inadequate conformance with mandatory guidance requirements

Nature of the work: in general, the results that briefed about the standard's conformance in the selected sectors as inadequate. Concerning the IAA; assesses and makes appropriate recommendations to improve the organization's governance processes; actively evaluates the effectiveness and contributes to the improvement of risk management processes; and assists the organization in maintaining effective controls by evaluating their effectiveness and efficiency were incorporated in the related standard.

Engagements planning: the following three components of the standard were not adequately exercised by the selected sectors: in planning the audit engagement, internal auditors consider- the strategies and objectives of the activity being reviewed , the means by which the activity controls its performance, the significant risks, resources, the adequacy and effectiveness of the activity's governance, risk management, and control processes, etc.; the established scope is sufficient to achieve the objectives of the engagement; and 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.

Performing the engagement: the matter regarding the standard did not adequately comply by the selected sectors was whether audit engagements are properly supervised to ensure that objectives are achieved, quality is assured and staff is developed.

Communicating results: matters that related to the standard and did not properly complied by the selected sectors were presented as while a final communication contains a significant error or omission, the CAE communicates the corrected information to all the concerned parties; whether engagements are conducted in conformance with the International Standards of Internal Auditing and it is supported by the results of the quality assurance and improvement programs; and 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.

Monitoring progress: the standard did not satisfactorily implemented by the selected sectors and its detail was narrated as whether the CAE 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.

The acceptance of risks: the compliance level of the standard: when the CAE concludes that management has accepted a level of risk that may be unacceptable to the organization; he/she discusses the matter with management while the matter has not been resolved, he/she communicates the matter to the concerned: according to the respondents concern stated and replied as inadequate.

5.3 Recommendations

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

Well conformance with certain mandatory guidance requirements

The existing healthy conformance with certain mandatory guidance elements of the IPPF should be kept up and goes to the sound conformance level by all elements and in all sectors oromia regional state: regarding management of the audit charter; the internal audit objectivity and independence; the internal audit staff proficiency and due professional care; managing the IAAs; nature of the work; engagements planning; performing the engagement (fieldwork); communicating results (reporting); and the code of ethics.

Inadequate conformance with certain mandatory guidance requirements

The well and satisfactory conformance regarding the mandatory guidance elements of IPPF that previously exercised inadequately by selected sectors have to be regularized and make improvements until it satisfy the needs of all stakeholders particularly the organization that established the internal audit department/unit through adding value and improve organizational performance. Especially in areas: the internal audit objectivity and independence; engagements planning; performing the engagement; communicating results; monitoring progress; and the acceptance of risks.

In addition to that, in order to comply with the mandatory guidance elements that promulgated by IPPF, all the selected bureau of oromia regional state should enhance and update their internal audit staffs through continuous trainings and certifications. Besides, to gain more benefit from their audit department/unit, they should give due consideration to satisfy the adequacy of their audit staffing and allocation of the related resources.

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Appendix

Questionnaire for Internal Auditors

Bekele W/senbet, Master of Science (MSC)- Accounting and Auditing candidate

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Dear Sir/Madam:

The enclosed questionnaire is designed to gather information about internal audit practices in oromia regional state. The questionnaire has been sent to all internal audit department/unit staffs. Who are working in the selected sectors of oromia regional state office.The information you provide in response to the questionnaire will be used as part of the data needed for the study- The Assessment of Internal Audit Practices in oromia regional state: The Case of Selected sectors, by taking the revised standards of internal auditing (that was released by The Internal Audit Standards Board effective January 2017) and the code of ethics as a benchmark.

The study is being conducted as part of the undersigned researcher‘s study for the degree of Master of Science in Accounting and Auditing at Addis Ababa University, College of Business and Economics. The results of the study are expected to contribute to the understanding of internal audit practices in oromia regional state and as well add value to the development of the profession in Ethiopia.

Please note that there is no need of writing your name on the questionnaire.

I would also like to assure you that the information you provide will be treated as strictly confidential and your participation in this study is greatly valuable.

Your honest and thoughtful responses are highly appreciated.

Kind Regards,

Part One

Demographic Data of the Respondent

(Please put any sign/mark on the number from alternatives that best describes your choice)

1. Gender: 1. Male 2. Female
2. Age : 1. Less than 30 years 2. 30-40 years 3. 40-50 years
   4. 50-60 years 5. Above 60 years
3. Educational Level: 1. BSC/BA 2. MSC/MA/MBA
4. Any certification related to the profession:
   1. ACCA 2. CIA 3.No related certification
5. Total years of audit experience including the current position:
   1. Less than 5 years 2. 5-10 years 3. 11-15 years
   4. 16-20 years 5. Above 20 years
6. Your internal audit unit/department staffing:
   1. Adequately staffed 2.Moderately staffed 3.Poorly staffed

Part Two

Remark: The following questions are Likert scale types and rate their extent to which you agree or disagree that the following statements best describe your organization. Use 5-scale ratings whereby; **1**=strongly Disagree, **2**=Disagree, **3**=Neutral, **4**=Agree, **5**=Strongly Agree

To notify your choice, you can write any one of the particulars given in the bracket (√, x, 0, etc)

In your organization……………………………							
I. Attribute Standards							
Code			**1**	**2**	**3**	**4**	**5**
1.		**A. Statements regarding internal audit charter**					
1.1	Audit Charter	Internal audit activity's purpose, authority, and responsibility are formally defined in an internal audit charter.					
1.2	Audit Charter	Internal audit charter is periodically reviewed and presented to senior management and the board for approval.					
1.3	Recognizing Mandatory Guid.	The mandatory nature of the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards, and the Definition of Internal Auditing are recognized in the charter.					
2		**B. Statements regarding internal audit objectivity and independence**					
2.1	Organizational Independence	There is a dual reporting relationship whereby the head of Audit report functionally to the board (audit committee) and administratively to the Chief Executive Officer.					
2.2	CAE Roles Beyond Auditing	Where the chief audit executive has or is expected to have roles and/or responsibilities that fall outside of internal auditing, the related safeguards are in place to limit impairments to independence or objectivity.					
2.3	Individual Object.	Internal auditors have an impartial, unbiased attitude and avoid any conflict of interest.					
2.4	Impairment to Indep. or Objec.	If independence or objectivity is impaired in fact or appearance, the details of the impairment disclosed to appropriate parties of the organization.					
3		**C. Statements regarding the internal audit staff proficiency and due professional care**					
3.1	Proficiency	Internal auditors possess the knowledge, skills, and other competencies needed to perform their individual responsibilities.					
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 Profess. Devel.	Internal auditors enhance their knowledge, skill, and other competencies through continuing professional development.					
II. **Performance Standards**							
4		**E. Statements regarding managing the internal audit activity**					
4.1	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 organization's strategies, key business objectives, associated risks, and risk management processes.					

4.2	Communication & Approval	The chief audit executive communicates the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the board for review and approval.					
4.3	Resource Management	The chief audit executive ensures that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.					
4.4	Policies & Procedures	The chief audit executive establishes policies and procedures to guide the internal audit activity.					
4.5	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.					
4.6	Reporting to the Senior Mgt & the Board	The chief audit executive reports periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan and on its conformance with the Code of Ethics and the Standards.					
5		**F. Statements regarding nature of the work**					
5.1	Governance	The internal audit activity assesses and makes appropriate recommendations to improve the organization's governance processes.					
5.2	Risk Management	The internal audit activity evaluates the effectiveness and contributes to the improvement of risk management processes.					
5.3	Control	The internal audit activity assists the organization in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvements.					
6		**G. Statements regarding engagements planning**					
6.1	Planning Considerations	In planning the audit engagement, internal auditors consider: the strategies and objectives of the activity being reviewed , the means by which the activity controls its performance, the significant risks, resources, the adequacy and effectiveness of the activity's governance, risk management, and control processes, etc.					

6.2	Engagement Objectives	Objectives established for each audit engagement concerning reflecting the results of the assessment, the probability of significant errors, fraud, noncompliance, and other exposures.					
6.3	Engagement Scope	The established scope is sufficient to achieve the objectives of the engagement: it includes consideration of relevant systems, records, personnel, and physical properties and others.					
6.4	Engage. Resource	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.					
6.5	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).					
7		**H. Statements regarding performing the engagement**					
7.1	Identifying Information	Internal auditors identify, analyze, evaluate, and document sufficient information to achieve the engagement's objectives.					
7.2	Analysis and Evaluation	Internal auditors base conclusions and engagement results on appropriate analyses and evaluations.					
7.3	Documenting Information	Internal auditors' document: sufficient, reliable, relevant, and useful information to support the engagement results and conclusions. In addition appropriate supervision evidences are part of the documentation.					
7.4	Engagement Supervision	Audit engagements are properly supervised to ensure that objectives are achieved, quality is assured and staff is developed.					
8		**I. Statements regarding communicating results**					
8.1	Criteria for Communication	Communications include the engagements' objectives, scope, and results.					
8.2	Quality of Communication	Communications are accurate, objective, clear, concise, constructive, complete and timely.					
8.3	Errors &	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.					
8.4	Conformance with Standards	Engagements are conducted in conformance with the International Standards of Internal Auditing and it is supported by the results of the quality assurance and improvement programs.					
8.5	Disclosure of Non- Conform.	When non-conformance with the Code of Ethics or the Standards impacts a specific engagement, the results disclose with which full conformance was not achieved, the reason, and its impacts.					
8.6	Disseminating Results	The chief audit executive review and approve the final engagement communication before issuance and for deciding to whom and how it will be disseminated.					
8.7	Overall Opinion	When an overall opinion is issued, it takes into account the strategies, objectives, and risks of the organization; and the expectations of senior Mgt, the board, and other stakeholders.					
9		**J. Statements regarding monitoring progress**					
9.1	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.					

10		**K. Statements regarding the acceptance of risks**					
10.1	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, he/she discusses the matter with senior					
		I					
11.1	Integrity	The integrity of internal auditors establishes trust and thus provides the basis for reliance on their					
13.2	Objectivity	Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and					
13.3	Confidentiality	Internal auditors respect the value and ownership of information they receive and do not disclose					
13.4	Competency	Internal auditors apply the knowledge, skills and experience needed in the performance of internal					

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