



ADDIS ABABA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING AND FINANCE

**EFFECT OF RISK-BASED AUDITING ON INTERNAL CONTROL (CASE
STUDY ON ETHIO TELECOM)**

BY

BELETE GEBRU

**A thesis was submitted to the Department of Accounting and Finance in
partial fulfillment of the requirements for the master's degree in accounting
and Auditing**

Advisor

Alem H (PhD)

ADDIS ABABA, ETHIOPIA

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DECLARATION

I, Belete Gebru state that this thesis was written entirely by me with Alem H's (PhD) help. This thesis was planned, gathered, examined, and completed in compliance with all academic ethical guidelines. Citations have been included to acknowledge the use of all scholarly materials in this thesis. I further declare that I have complied with all guidelines pertaining to academic honesty and integrity and that none of the concepts or data in my work have been invented or altered. The Master of Accounting and Auditing degree at Addis Ababa University is being partially fulfilled by this thesis. I also confirm that this thesis, either in full or in part, has not been submitted to any other higher education institution for academic credit toward a degree.

Declared by:

Name: Belete Gebru

Signature: 

Date: 26/06/2025

Addis Ababa, Ethiopia

June, 2025



Statement of Certification

This certifies that the study, — Effect Of Risk-Based Auditing On Internal Control (Case Study On Ethio Telecom) This work, which Belete Gebru completed as part of the Master of Accounting and Auditing program at Addis Ababa University, is original, has never been submitted for credit toward a degree at this or any other university, has been reviewed in accordance with university policies, and has my permission to be reviewed.

Research Advisor: Alem H(PhD)

Signature _____

Date _____

[Handwritten signature]
[Handwritten date]



Effect Of Risk-Based Auditing on Internal Control (Case Study on Ethio Telecom)

In partial satisfaction of the requirements for the Master of Science in Accounting and Auditing degree, Belete Gebru prepared a thesis titled Effect of Risk-Based Auditing on Internal Control (Case Study on Ethio Telecom). This certifies that the thesis adheres to university guidelines and satisfies the established criteria for originality and quality.

Thesis Approved by:

External examiner

Kelita Srnalo

Signature

[Signature]

Date

26/06/2025

Internal examiner

Arem Hesse

Signature

[Signature]

Date

26/06/2025

Advisor

Signature

[Signature]

Date

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Acronym

IT- Information technology

SPPIA - standards for the professional practice of internal auditors

SAI - Supreme audit Institution

O.A.G - Office of Auditor General

MOFED - Ministry of finance and economic development

ETC - Ethiopian Telecommunications Corporation

ET - Ethio telecom

IAD – Internal audit department

ESLSE – Ethiopian Shipping and Logistics Service Enterprise

CCA- Chartered Certified Accountant

CPA-Certified Public Accountants

CIA -Certified Internal Auditor

CISA-Certified Information Systems Auditor

IIA-The Institute of Internal Auditors

IPPF -The International Professional Practices Framework

QAIP -Quality Assurance and Improvement Program

FRC -financial reporting council

QAIP-Quality Assurance and Improvement Program

IA: Internal Audit

IAA: Internal Audit Activity

IAF: Internal Audit Function

ERM -Enterprise Risk Management

RBP- risk-based audit planning

OLS -Ordinary Least Square

VIF -Variance Inflation Factor

CGAP-Certified in Government Auditing Profession

CRMA -Certified in Risk Management Assurance

BOD- Board of Directors

CEO-Chief Executive Office

IAP- Internal Audit practice

Abstract

Scholars are noted that effective internal-auditing Control serving as guaranty and consulting activity to supports organizational goals by improving governance, oversight and risk mitigation. This study was conducted to achieve objective stated as investigate the impact of Risk-Focused Auditing of Internal Controls effectiveness in the case of Ethio Telecom. The research used qualitative and explanatory research methods and collected data through primary and secondary source by using survey method to collect data from 70 internal audit and management staff in the head office of Ethio telecom. The Study employed methods for census sampling. Multiple regression analysis uses descriptive statistics to identify the causal relationship between Risk based Auditing and internal audit activity. The finding indicates that internal audit department gap Lack of BOD support, resource, training and certify auditor, The scope of risk management and control systems implemented by internal auditors interferes with daily operations, No Audit committee establish, Limitation Publishing audit reports and recommendation. According to the regression output all independent variable effect the company performance and making of the contribution for company performance. The Board of Directors (BOD) of the organization is committed to enhancing development capacity through the provision of training and certification via short-term programs. This initiative aims to ensure there is an adequate number of officers while effectively mitigating resource constraints. The internal audit division of the firm plays a crucial role in the effective identification and analysis of risks, offering suitable risk recommendations, and implementing robust governance and internal control measures.

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CHAPTER ONE

1. Background of the study

1.1 Introduction

Due to the industrial revolution and technological progress in the twentieth century, various technological systems were introduced, leading to the rise of complex and high-cost enterprises that required efficient accounting and control mechanisms. Notably, the founding of the Institute of Internal Auditors (IIA) in 1941 represented a significant milestone in the evolution of the internal audit profession. Since its establishment, the IIA has been instrumental in improving internal audit practices and advancing the professional standards of the field. Today, the IIA supports more than 230,000 members across nearly 200 countries and territories, offering guidance in key areas including internal audit, risk oversight, and corporate governance, internal controls, IT auditing, and professional training. Widely acknowledged as a global authority in certification, training, research, and the advancement of internal audit practices, the IIA plays a crucial role in setting international standards and addressing emerging issues in the auditing profession. Its commitment to knowledge sharing and professional excellence is reflected in its long-standing motto, “Progress through Sharing” (IIA, 2023).

Inside reviewing has undergone dramatic transformations that have broadened its purview and allowed it to make more significant contributions to the organization it supports. Inspections are also conducted within companies that change in rationale, measurement, and structure, as well as in various legal and social contexts (Pitt, 2014). Additionally, inside review can serve as an optimization operator and inside adviser in any venture change plan. It can also support chance evaluations and offer advice on creating rules, planning work, and handling information. To optimizing undertaking forms, inner review can be viewed as a combination of review and counselling (Kagermann H., 2008; Coderre, 2009; Sayag, 2010). One of the most reliable tools for evaluating and improving an organization's performance is a decent internal audit. In many cases, inner reviewers are portrayed as both a police officer and a trade conspirator. The inside reviewer is anticipated to offer knowledge to support a corporation in assembling its goals as a trade partner, but as a police officer, an inner evaluator is sometimes perceived as an adversary seeking flaws. Because of this, inside inspectors must be at the forefront, leading the trade unit in terms of the inside control framework and keeping an eye on crucial business objectives. To influence them,

inside reviewers must also position themselves as important members of their organization, or perhaps as more than bystanders who watch from the sidelines (Sawyer, 1996).

The administration is the most important auditee of the inner review office in the workplace since their desire to have adequate internal reviewing practices can be used to illustrate the effectiveness of these practices. Given that it can be clearly illustrated, the administration will expect the inside reviewers to carry out their internal examinations to a degree that complies with the standards for the proficient hone of inside reviewers (SPPIA); adherence to SPPIA is therefore an indication of an inside review office's viability (Faudziah Hanim Fadzil, 2005). Ethiopia's inspection history began in early 1931 when the Ethiopian Incomparable Review Institution (SAI) was established. Decree No. 13/1987 granted Ethiopian internal examinations their first official recognition in 1987. The Office of the Federal Auditor General (OFAG) in Ethiopia oversees internal auditors within government agencies and public enterprises, concentrating mainly on three primary areas: the correctness and dependability of financial records, the protection and appropriate management of public resources, and adherence to policies and guidelines established by senior management. However, this mandate has traditionally placed less emphasis on operational auditing, which could otherwise contribute significantly to administrative efficiency and public service improvement (OFAG, n.d.; Melisew, 2024).

Fundamentally, it should be noted that the World Organization of Preeminent Review Educate in Ethiopia dates to 1942, when a directive cantered on the use of open segment finance was issued by the Service of Back and Financial Participation. Another important milestone in the public sector auditing in the country was the establishment of the common audit in 1961 (Desalegn et al. 2007).

The office of review makes frequent steps to ensure accountability outside of the assessment of government services and their respective workplaces. To support administration, open segment companies must also have internal review capabilities. All institutions that are fully or not fully financed by the government budget can use the internal review guides that the Service of Fund and Financial Advancement has the expertise to provide. The Service has published a handbook that includes procedural guidelines for conducting reviews as well as a code of ethics for internal reviewers (MOFED, 2004). The Ethiopian government's internal review rules largely resemble the ones that IIA distributes.

Background of ETE

The company name was previously titles as Ethiopian telecommunication and corporation and In Amharic version called as ‘የኢትዮጵያ ቴሌኮሙኒኬሽን ኮርፖሬሽን’ Ethiopian telecom (Amharic: ኢትዮ ቴሌኮም) is a significant provider of telephone and internet services. All of Ethiopia's telecommunications services are monopolized by Ethiopian Telecom, which is owned by the Ethiopian government. The organization is settled its headquarters in the capital of Ethiopia Addis Ababa town and also it is one member of Ethiopia's "Big-5" group which are the collection of companies based in Ethiopia and owned by the government including other four large companies including Ethiopian Airlines, Ethiopian Shipping Lines, the Commercial Bank of Ethiopia, and the Ethiopian Insurance Corporation. Ethio telecom (ET), Re-established around the end of 2010, the Ethiopian Telecommunications Corporation (ETC), it was well known before as Ethiopian telecommunication corporation company now it is the single and well-integrated telecommunication service provider in Ethiopia. The company is the largest telecom service provider in Ethiopia, and it has the largest market share yet other telecom service provider like Safari com is engaged in the market. Currently even the government is trying to see part of the company, its large part is still owned by the government board. Its range of services includes landline and mobile telephony, high-speed internet, and various additional voice and data offerings. It carries out tasks like deploying large infrastructure projects, automating internal processes, marketing and technical work, selling goods and services, managing human resources, controlling cash flow, disbursing funds, collecting revenue, making both domestic and international purchases, and maintaining, storing, and treating fixed assets to provide these services effectively and efficiently.

Ethiopia's communications service has seen significant growth and changes during the last 20 years, surpassing the changes it underwent more than 50 years before. Ethiopian Telecom needs to focus especially on its internal audit service because it is the only provider of the service, its telecom infrastructure is vast, telecom frauds are common and constantly changing, internet service was introduced, value-added services have become more diverse, and the country's core economic units require reliable and high-quality network availability. Therefore, the company has implemented a risk-based auditing approach within its internal audit department to provide

objective and independent assurance regarding the adequacy and effectiveness of its risk management.

1.2. Statement of the Problem

Scholars defined internal audit from different perspectives, one of a well-known definition given by Pitt (2014) describe this concept as an autonomous and impartial assurance and consulting role. According to the author it is also designed to enhance and improve an organization's operational efficiency. He also pointed out that internal auditing assists organizations in achieving their goals by applying a systematic and organized method to evaluate and improve the effectiveness of risk management, control, and governance processes.

If it is implemented effectively, internal auditing practice contributes positively to the improvement and enhancement of organizational efficiency. According to the IIA (2010), it noted that effectiveness of internal auditing determines by considering a variety of factors in general it will be considered effective if it achieves its objective (Mehret, 2010).

Numerous prior studies have been carried out and have demonstrated a significant link between efficient internal auditing and the performance of essential organizational functions, including risk management, internal controls, and governance. Enhancing good governance requires the internal audit function to consistently build its capacity and competencies (Abreham G/Georgis, 2011). According to Mehret, James, and Mula (2007), The success of internal auditing in public sector organizations is largely influenced by management backing and the overall calibre of the audit function. Other researchers who have examined internal audit performance in government entities and financial institutions have provided valuable insights; however, many of these studies did not give sufficient attention to the influence of risk-related factors on the delivery of audit services (Wubishet & Dereje, 2014; Belay, 2007; Tadios, 2016).

Ethiopian researchers have already examined the efficacy of internal auditing procedures. Solomon D. (2019), for instance, discovered that team leaders, division managers, and sector directors felt that internal auditing activities contributed less than the usual amount to the risk management process. This suggests that IAD's involvement in the risk management process is minimal, and that IA's efforts to examine every system in the company are useless. They responded that they gather, analyze, and evaluate information in an unbiased manner.

He concludes that internal auditors find and appropriately address problems and delay areas (Zelalem S, 2014). Additionally, evaluate the risk, plan for comprehensiveness, audit for clarity, cover priority areas, and determine when improvements are needed. The company's internal auditors' methods for collecting information and evaluating activity are efficient. However, the internal auditor demonstration strategy used by the company is appalling. The organization conducts evaluations to continuously enhance the efficiency of its management procedure. The internal auditors' regulating system interferes with day-to-day operations.

(Bekele, 2019) He concludes that by adding value and enhancing organizational performance, changes should be made until all stakeholders' needs are met, including those of the company that created the internal audit section. Particularly in the areas of internal audit independence and impartiality, engagement planning, execution, communication of outcomes, progress tracking, and risk acceptance. (Tilahun, 2020) Based on the materials analysed in the study, The Internal Audit Department maintains its own audit risk universe, which it revises annually. The division's risk register includes risk records categorized by domain. Because the enterprise map is insufficient, Although the company's approved enterprise map is the primary source of updated business risks for each auditable object, IAD leverages additional sources and its own evaluation to keep the register practical. This fact is supported by the data gathered from the questionnaires. After much research, the researcher discovered a local study that examined the efficacy of internal auditing by focusing on internal audit practice, risk management, internal control, and governance. Although there is limited research on governance, Solomon (2019) found that researchers at ESLSE have examined internal auditing, risk management, and internal control. Nonetheless, some investigations looked at the efficacy of internal auditing in Ethiopia in a broad sense. The impact of methodological variations in the implementation of internal auditing activities was completely disregarded in this research. The efficacy of Ethiopian Telecom's internal audit department has only been the subject of one study to date. Ethiopian Telecom's Factors influencing the effectiveness of risk-based internal auditing were analysed using survey questionnaire responses as the sole source of evidence, considering factors which are also relevant to the effectiveness of control-focused or system-based internal audits (Tilahun, 2020). The efficacy issue from the perspective of internal audit practice and effectiveness through audit governance, internal control, and risk management was not addressed by him.

Ultimately, the absence of BOD assistance, resources, training, and certified auditors' Everyday activities are disrupted by the internal auditors' risk covering and managing system. There is no audit committee in place, Restriction. The main factors are the publication of audit reports and recommendations regarding audit practice. The paper also focuses on three independent variables, such, internal auditors " internal control, where internal auditors "implement strong internal control and the company performance becomes effective." To inform, guide, supervise, and keep an eye on the organization's operations and ensure that its goals are met, the board implements a set of procedures and structures known as governance. To do this, this article attempted to evaluate the function of internal auditors in Ethiopian telecom. Although the researcher tried, she was unable to locate any domestic studies that thoroughly examined the governance, internal control, and risk management factors that affect how well internal auditing operations in telecom companies work. Hence, the lack of research in this field made the present study essential, with the goal of addressing this gap.

Considering the preceding problem statement, the study's central query is:

How do internal auditing procedures affect business performance? The following research questions are the focus of this study:

1. How do internal auditing methods affect business performance?
2. How can the internal control system be used to evaluate how internal auditing practices affect business performance?
3. How can the performance of the company be evaluated in relation to the execution of governance?

1.3. Objectives of the Study

1.3.1. General Objectives

The study's main goal was to evaluate internal auditing procedures and how they affected Ethiopian Telecom's (ET) business performance.

1.3.2. Specific Objectives

Upon completion on this project aims for the accomplishment of the following research goals. These are:

To analyse the role of internal audit risk management procedures on business operations.

To evaluate the impact on business performance of internal auditing practices and internal control systems.

To evaluate how internal auditing procedures affect the functioning of the business.

To measure internal auditing practices on business performance.

1.4. Hypothesis of the Study

H1: Ethiopian Telecom's business performance is significantly impacted by internal auditing of risk management activity.

H2; The performance of Ethiopian telecom is significantly impacted by internal auditing operations in the control system.

H3: The performance of Ethiopian telecom is significantly impacted by internal auditing procedures.

H4: Ethiopian Telecom Company Performance Is Significantly Affected by Governance Implementation

1.5. Significances of the study

After the accomplishment of the project, results from this study expected to contribute for a variety of stakeholder. Mainly the finding will aid managers and BOD in comprehending internal audit procedures and how they impact the operation of the company. Additionally, it provides clear instructions on how to obtain the best internal audit service. The study also assists by pointing up the shortcomings and offering helpful suggestions. Since it integrates several models to assess the variables impacting the success of internal auditing, it expands readers' knowledge and comprehension of internal audit theories. By providing guidance for future study in the field of internal audit, it aids other researchers.

1.6. Scope of the Study

Delimiting the study to a reasonable size should be a key component of every research project, according to (Ayalew & Seyoum, 1999). Building on this theoretical foundation, The research centres on internal auditing practices and their influence on the internal audit function and management of Ethio Telecom. This focus is particularly relevant given the presence of another telecom service provider in Ethiopia Safaricom which introduces a competitive dynamic within the sector. The research specifically examines four core components of internal auditing: audit

procedures, risk management, internal control, and governance. The scope of analysis includes the internal audit division at the company's headquarters. Additionally, the study targets key personnel including department heads, section managers, team supervisors, and audit staff, providing a comprehensive view of internal audit practices across various management levels.

1.7. Limitations of the study

Ethio Telecom is Ethiopia's first telecom provider in the domestic telecom market. However, there is currently another cellular provider in Ethiopia called Safaricom. According to the researcher, there are several limitations to the study. The study outlines some of the researcher's limitations, such as respondents' willingness to complete the surveys and the researcher's capacity and resource limitations. gaps in the information that higher level management can provide. The investigation was partially based on the opinions of Ethio Telecom's risk specialists, senior managers, and internal auditors. The study may not provide an opportunity to engage external auditors, as it primarily focuses on the internal work environment.

1.8. Definition of Terms

AUDITING

As noted by (Kagermann, 2008), auditing involves a structured and objective approach to collecting and evaluating evidence related to assertions about financial transactions and events. Its purpose is to assess how well these assertions align with established standards and to report the results to relevant stakeholders. Rather than being constructive, auditing is analytical and investigative in nature, with a strong emphasis on verifying the basis of financial figures and statements.

INTERNAL AUDIT

Beyond traditional financial oversight internal auditing also contributes to strategic decision-making by identifying potential risks, inefficiencies, and areas for performance improvement. In an increasingly complex and regulated business environment, a robust internal audit function serves as a key pillar of organizational accountability and transparency, aligning internal practices with broader corporate goals and stakeholder expectations (Institute of Internal Auditors, 2023).

Audit operations within the risk management process

Internal auditing involves not only the completion of audit plans but also the value added in terms of enhancing operational efficiency (Abreham G/Georgis, 2011). Furthermore, (Mihret et al., 2007) highlights that strong management support and a high level of audit quality significantly influence audit success, particularly in public sector institutions. However, past research has often overlooked external and organizational risk factors that may limit audit performance, as observed in studies on public agencies and financial institutions (Wubishet & Dereje, 2014; Belay, 2007; Tadios, 2016).

Internal audit activities in control system

According to the Institute of Internal Auditors (IIA, 2013), control system considered as the actions implemented by the stakeholder in any institution with the objective of supporting the achievement of organizational objectives. According to Vallabhaneni (2009) emphasizes that control involves managerial efforts designed to ensure that organizational targets are successfully reached by minimizing uncertainties and guiding operations toward desired outcomes.

Internal audit practices

Institute of Internal Auditors – New York was defined internal auditing as an unbiased evaluation process carried out inside a firm to examine financial, accounting, and other operations as a foundation of service to the business. It is a managerial control that evaluates and gauges how well other controls are working.

Governance

Governance refers to the system of policies, procedures, and structures through which an organization is guided and regulated to accomplish its goals. It encompasses the mechanisms established by the board of directors to guide, monitor, and evaluate organizational performance in alignment with stakeholder interests (IIA, 2013; OECD, 2015). Effective governance ensures accountability, transparency, and strategic alignment across all levels of the organization.

Company performance

These elements of a company's performance gauge how well it is carrying out its business plan and can be examined to pinpoint areas that require improvement.

CHAPTER TWO

2. Review of Related Literature

2.1. Basic Concepts of Auditing

Before discussing the detailed literature related to the objective of the study it is important to be familiar with what Auditing means. It is not unique that we consider auditing important in the current digitalized companies and finance system because it serves as the foundation for standards, rules, or quality measures that are used to develop audit methods. Auditing ideas, standards, and procedures are all related (M. Pickett, 1997).

2.2. Purpose of Auditor

The goals of the auditor are described in ISA 200, which addresses that independent auditors from external source have goals of conducting an audit based on international Auditing Standards for minimizing risk in the organization. In general, the overall goals of an audit of financial accounts, according to this ISA, are for auditors to utilize professional judgment, conduct the audit with professional scepticism, and adhere to ethical standards.

One of the professional mentalities required for internal the auditor remains alert to conditions that may indicate possible fraud or misstatements due to errors and critically assessing audit data. Professional judgment is the ability to make well-informed decisions on the best courses of action within the framework of an audit engagement by applying relevant training, knowledge, and experience.

2.3. Classification of Audit and Auditor

A. Types of auditing

Scholars are classifying auditing into three major classifications as operational, compliance, and financial statement audits. According to them Operational audits analyse is mainly focus on an organization's systems and methods to assess efficiency and effectiveness. While Compliance audits ensure adherence to established procedures and norms specified by higher authorities. Moreover, the focus of audits of financial accounts verifies if quantitative information meets specific standards.

B. Category of Auditor

The three most well-known types of auditors are government auditors, which include internal auditors, independent auditors, and tax auditors.

Independent auditors: An independent auditor is an outside auditor who is not connected to the company being audited. They are also referred to as chartered certified accountants (ACCAs) or certified public accountants (CPAs)...

- The primary responsibility of the auditor is to examine a company's financial statements for a given period.
- The CPA or CCA certificate represents technical proficiency and acts as a license to practice.
- Passing challenging tests, accumulating real-world experience, and maintaining competency through ongoing study are all necessary to become a CCA or CPA.

Internal Auditors: These are auditors who work for the company and are employed by certain companies. Certified Information Systems Auditors (CISAs) and Certified Internal Auditors (CIAs) are two common certifications for internal auditors. Internal auditors' main goal is to analyse and assess how well the company's different organizational units perform their designated functions. These auditors focus on the analysis and assessment of administrative and accounting controls.

1. Internal auditors often focus on operational audits but may also conduct compliance audits.
2. Internal auditors must be independent of an organization's line operations for optimal performance.
3. While there is an employer-employee relationship, they cannot operate independently.

Government Auditors: These are auditors who work for federal, regional, or local governments.

2.4. Internal Audit and its core concept

After the industry revaluation there were a significant change in enterprise and specifically during the first of 20th firs century a lot the establishment of numerous massive and ultra-large enterprises fuelled the need for control and responsibility. Since its founding in 1941, The Institute of Internal Auditors has had a crucial influence on the growth and professional advancement of internal auditing. Currently, it serves over 94,000 members globally in the fields of auditing, governance and control, IT audit, security, and education. As its motto "progress through sharing"

demonstrates, the Institute is the global leader in internal audit certification, teaching, research, and technical guidance, and it acts acting as the profession's guardian and key resource on critical auditing matters globally (Gansberghe, 2005).

According to Pitt (2014), internal auditing is an independent and objective process that provides assurance and advisory services designed to improve organizational effectiveness and add value. It aids in achieving objectives through the systematic assessment and improvement of risk management, internal controls, and governance frameworks. This organized method not only reinforces internal operations but also promotes long-term sustainability and accountability within the organization (IIA, 2013).

2.4.1. The Institute of Internal Auditors (IIA)

The Institute of Internal Auditors (IIA), founded in 1941 and headquartered in Altamonte Springs, Florida, USA, is the leading international professional association for the internal audit profession (IIA, 2001). It serves as a global authority, advocate, and educator, establishing professional standards and promoting best practices in internal auditing. The IIA offers widely recognized certifications including the Certified Internal Auditor (CIA), which enhance the expertise and credibility of practitioners. Beyond training and publications, the IIA actively influences public policy and encourages ethical conduct within the profession. Its membership is diverse, including professionals from internal auditing, governance, risk management, internal control, cybersecurity, and academia, demonstrating its broad influence across both public and private sectors worldwide (Gramling, Maletta, Schneider, & Church, 2017).

2.4.2. International Professional Practices Framework (IPPF)

A comprehensive set of guidelines, guidelines, and standards has been developed by the Global Institute of Internal Auditors to help internal auditors worldwide in their work.

IIA GlobalX's whole set of internal audit recommendations were arranged and made available through the International Professional Practices Framework (IPPF, 2017). Two types of guidance are available:

I. Mandatory Guidance

According to the guideline Members of the IIA must abide by statutory guidelines. Members have been consulted in the development of this guidance including Fundamental Principles, Internal Auditing Definition, Ethics Code, and International Internal Auditing Standards.

II. Suggested Guidelines

Members of the Institute of Internal Auditors (IIA) are required to follow guidelines that facilitate the application of the International Standards for the Professional Practice of Internal Auditing, along with the IIA's Core Principles and Code of Ethics. These guidelines offer a systematic framework for performing internal audit tasks in alignment with the profession's internationally accepted standards and ethical principles (IIA, 2017).

- **Core Principles**

The Core Principles, considered together, define internal audit effectiveness. To be deemed effective, an IAF must have all Principles present and functioning well.

Internal auditors and IAFs may differ in their approach to accomplishing the Core Principles. However, failing to achieve any of the principles indicates a lack of effectiveness in fulfilling the purpose.

- **Definition of Internal Auditing**

Various authors have provided definitions of internal auditing, outlining its objectives, features, and scope. The definition draws upon the Global Institute of Internal Auditors' established standards for the internal audit profession and is incorporated within the IPPF.

Internal auditing It is an objective and independent advisory and assurance function designed to improve and add value to an organization's operations. It supports the organization in reaching its goals by implementing a systematic, disciplined approach to evaluating and strengthening the effectiveness of risk management, controls, and governance processes.

Internal auditors' Internal audits serve as a part of an organization's control framework. Their scope of responsibilities, which can be broad, is determined by management. The internal audit process involves auditors from within the organization—who are independent of the specific department, function, or processes under review—gathering information about the effectiveness of the quality system. Alternatively, the Internal Audit Function (IAF) formally monitors and ensures that the quality management system operates in compliance with the established quality standards. By enhancing the quality of information used for decision-making, internal auditing seeks to add value to the organization (Bou-Raad, 2000).

As per the latest definition by the Institute of Internal Auditors (IIA), internal auditing encompasses the following key characteristics:

- Independence.
- Objectivity.

- Adds value to the organisation.
- Assists the organization in meeting its objectives.
- Uses a systematic and disciplined approach.
- Evaluates and improves risk management, control, and governance processes.

CODE ETHICS

The honesty, objectivity, competence, confidentiality, and independence are the golden standards listed in the Code of Ethics for Internal Auditors.

A. Integrity: Integrity is expected when conducting internal auditing work. Fairness and honesty must be upheld. The most important thing in this situation is that his report should exude trust, justice, and confidence. Internal auditors build confidence and offer a foundation for relying on their judgment by acting with honesty.

B. Objectivity: Professional competency and assessment of facts A skilled internal auditor must be extremely careful. Internal auditors should avoid making rash and irresponsible assertions or using terms without appropriate evidence. The maximum degree of professional objectivity is displayed by internal auditors as they collect, evaluate, and disseminate information.

C. Competency: In addition to having sufficient experience, internal auditors are expected to apply pertinent expertise and information. An internal auditor should refrain from taking on tasks that are beyond the scope of his authority or that are beyond his scope of expertise. Those with sufficient auditing training, experience, and competence must conduct the audit and report with the requisite professional care. Internal auditors apply the expertise, abilities, and experience needed for their jobs.

D. Confidentiality: Since much of the information that the internal auditor receives may be confidential, he should preserve it all. Information that is in his possession should not be disclosed unless mandated by law, statute, or professional practice.

E. Independence: Internal auditing is defined as an impartial assessment process. Even though it is lessened by the fact that it is inside an institution, we must stress that the word "independent" is crucial. The capacity of an internal auditor to report on important facts and figures without being influenced by favouritism or disfavour is known as independence.

- **International Guidelines for Internal Auditing Professional Practice**

Internal auditing takes place within diverse legal and cultural environments, across organizations of different sizes, objectives, complexities, and structures, and is performed by individuals either within or external to the organization. The Global IIA's International Standards provide authoritative direction for the internal audit profession:

- Ensure compliance with the IPPF's necessary parts.
- Create a structure for providing and promoting internal auditing services that offer value.
- Create a system for measuring internal audit performance.
- Refine organizational methods and practices.

The principles are mandatory and founded on principles. They include statements of key standards for internal auditing and performance evaluation at the organizational and individual levels. They are applicable globally.

- Clarifying terminology or concepts in the Standards.

2.4.3. Effectiveness and efficiency

"Effectiveness is the extent to which the set objectives are achieved". Efficiency is defined as "the extent to which resources must be deployed to achieve a specific goal." As a result, understanding the objectives is required for analysing effectiveness. The main goals of internal auditing typically centre on offering assurance and creating additional value for financial institutions. As defined by the Institute of Internal Auditors (IIA), "added value" involves internal auditing's role in providing objective and pertinent assurance that improves the effectiveness and efficiency of governance, risk management, and control processes (IIA, 2010).

(The Institute of Internal Auditors [IIA], 2010), states that performance metrics for audit functions can be either quantitative or qualitative. These metrics encompass adherence to the IIA's International Standards for the Professional Practice of Internal Auditing. Key indicators of internal audit performance include strengthening risk management, control mechanisms, and governance structures, as well as achieving critical organizational goals and objectives. Additionally, evaluating progress against the audit activity plan, increasing staff productivity, and improving the efficiency of audit processes are important factors. Internal audit effectiveness is also reflected in the increased number of actionable plans aimed at process improvement, adequate involvement in planning and oversight, and the ability to meet stakeholder expectations

effectively. Finally, incorporating results from quality assurance evaluations and internal audit program reviews supports continuous improvement and ensures audits are conducted effectively and professionally.

2.4.4. The internal audit charter

It serves as the main policy document that directs the Internal Audit Department's activities, defining the IAD's position within the organizational framework along with its purpose, authority, and duties (S. Rao Vallabhanen, 2009).

According to the IIA (2013), the internal audit charter is "an official document that outlines the purpose, authority, and responsibilities of the internal audit function." It sets the position of internal audit within the organization, authorizes access to records, personnel, and physical assets needed to carry out audits, and specifies the extent of internal audit activities.

Vital Components of an Audit Charter

In its position paper, the IIA outlined seven fundamental elements that ought to be part of the internal audit charter to strengthen the overall effectiveness and performance of the internal audit function.

Mission and Purpose – The internal auditing function's mission and goal should be outlined in the charter. The goal should be to increase and maintain the value of the organization by providing objective, risk-based assurance, advice, and insight. Internal audits ought to offer unbiased, independent assurance and consulting services that add value and enhance the operations of the company.

2.4.5. Recruitment of internal auditors

To effectively carry out their responsibilities, the number of internal auditors should correspond to the scope of audit activities. Additionally, the effectiveness of the internal audit department is correlated with the number and Caliber of internal auditors. The head of the internal audit department should, in this case, appropriately augment the competence by employing experts with a variety of skills and experience (Colbert, 2002). Additionally, Steam (1990) suggested that three key aspects should be considered during the internal auditor hiring process.

The internal audit division should first choose job descriptions that outline the responsibilities and range of work for each position.

Second, professional qualification criteria, including educational background, on-the-job training, and required skills and abilities, should be established by the audit unit for internal auditors at all levels.

Third, the type of experience required of internal auditors must be decided by the internal auditing unit.

2.4.6. Carrier of internal auditor

According to Ratliff (1988), The internal audit department categorizes the internal auditor career hierarchy into four tiers: junior auditors, senior auditors, managers, and directors. The director is responsible for all internal audit department activities, including planning, creating auditing rules and procedures, managing internal auditors, and communicating with external auditors regarding audit work, they continue. Developing the audit quality program and liaising with the audit committee and board.

- The internal audit manager handles audit planning, auditing, and audit work coordination.
- Junior auditors oversee the simpler, more routine audit tasks, while senior auditors are expected to oversee the audit job.

2.4.7. The relationship with the audit committee

Effective collaboration between internal audit and the audit committee is necessary to ensure that management is held accountable and that significant risks are appropriately recognized for assessment. For impartial information on risk, control, and governance, the audit committee looks to internal audit. The way the two collaborate is discussed by internal audit heads. (Ng-books)}

The audit committee should keep an eye on and evaluate the internal auditors' work in this situation. The Financial Reporting Council (FRC) Guidance on Audit Committee (2008) states that the audit committee should look at the following components.

- ❖ To ensure that management is held accountable and that significant risks are appropriately recognized for review, internal audit must collaborate with the audit committee. Internal audit provides the audit committee with unbiased data on governance, control, and risk. Internal audit heads talk about how the two collaborate. {(Ng-books)}

❖ In this situation, the audit committee ought to keep an eye on and evaluate the internal auditors' performance. The audit committee should examine the following elements, according to the Financial Reporting Council's (FRC) Guidance on Audit Committee (2008): The board or audit committee is in charge of routinely assessing how well the internal audit function is doing. In the process, it must determine the proper standards for determining if an internal audit was successful. The audit plan's delivery shouldn't be the only factor considered in this assessment.

Helpful suggestions for developing a positive working rapport with the chair of the audit committee

1. Make sure you have access as needed: be explicit that you may need to talk to the head of the audit committee before or after sessions. Likewise, ensure that you are accessible in case the audit committee has any questions.
2. Recognize your audience: provide the needed information in the manner specified by the audit committee. Do members like presentations, summaries, or comprehensive reports?
3. Continue to prove the worth of internal audit by informing the audit committee of the expertise and experience of the internal audit function and offering additional ways it may be useful or reassuring.

2.4.8. Program for quality improvement

According to the Institute of Internal Auditors (IIA, 2017), the Chief Audit Executive (CAE) is responsible for establishing and maintaining a Quality Assurance and Improvement Program (QAIP) to guarantee that the Internal Audit function complies with the IIA Standards and Code of Ethics. The QAIP's main objective at IPC is to provide stakeholders with reasonable assurance that internal audit activities are continually improving. This involves ensuring that the internal audit work aligns with the Internal Audit Charter which complies with TPP 15-03 as well as the IIA Standards and Code of Ethics operates efficiently and effectively, and is recognized by stakeholders as enhancing business processes and creating value. Such quality assurance programs are vital for maintaining audit effectiveness and stakeholder confidence (Sawyer, 2019).

To ensure that the Internal Audit function adheres to the IIA Standards and Code of Ethics, the Chief Audit Executive (CAE) must establish a Quality Assurance and Improvement Program (QAIP). IPC's QAIP aims to give stakeholders reasonable assurance that internal audit activities are performed appropriately while encouraging ongoing enhancement of the audit function (Arena

& Azzone, 2009). Implementing quality assurance assessments has several advantages, including assuring the audit committee and senior management that the internal audit department complies with professional requirements, addresses issues effectively, and provides sound recommendations. Additionally, these assessments provide internal auditors the opportunity to interact with external parties, allowing for an objective and unbiased evaluation of the department's performance (Gramling et al., 2017).

Quality Assessments

The complete internal audit activity should be covered in assessments, whether they are external or internal self-evaluations. According to the concept shown in Diagram 1 on page 4, this would encompass the caliber of professional practices, communication procedures, and governance activities and structures. Appendix C, QAIP Components, contains the primary components as well as some of the primary goals to be evaluated.

Internal Assessments

Periodic self-assessment and continuous monitoring are the two interconnected components of internal quality evaluations.

- **Ongoing monitoring** Ongoing monitoring, performed on each individual audit, ensures that processes function efficiently to maintain quality. This is typically done through standardized work procedures, documentation reviews and approvals, report evaluations, engagement planning and oversight, along with other continuous monitoring efforts.
- 1. **Tracking Development or Adherence to Audit Recommendations** Continuous monitoring, conducted audit-by-audit, makes sure that the processes are operating effectively to ensure that quality is provided. It is mostly carried out through standard operating procedures, working paper processes and signoffs, report reviews, engagement planning and supervision, and other continuous monitoring activities.
 - The structure that underpins internal auditing operations, including the policies and procedures.
 - The structure, including rules and norms, that underpins internal auditing operations.
 - The accomplishment of performance benchmarks and metrics.
 - External Evaluations

External assessments At least once every five years, it must be conducted by an unbiased external assessor or assessment team that has received training in both the internal auditing

process and the quality evaluation approach. External assessments can be conducted using two different approaches

1. A thorough external evaluation is one that is carried out by an assessment team or certified, independent assessor.
2. The internal audit function's self-assessment is independently reviewed by a qualified, impartial evaluator or assessment team through a self-evaluation accompanied by external validation.

2.5. Internal Audit Practices

(Knechel, Vanstraelen, & Zerni, 2015) stated that, specifically in large organizations with huge and complex transactional system, internal audit functions play a vital role in supporting senior management and oversight bodies by evaluating the effectiveness of controls related to complex financial activities, including the use of financial instruments. This function contributes significantly to the detection and mitigation of risks, particularly those associated with material misstatements arising from fraud or unintentional errors. Due to the complexity of financial instruments, internal auditors are often required to possess specialized technical knowledge that differs from expertise in other business areas. Consequently, when external auditors plan their audit engagements, they assess the internal audit team's objectivity, competence, and familiarity with financial instruments to determine the extent to which internal audit work can be relied upon and incorporated into the overall audit strategy (Knechel, Vanstraelen, & Zerni, 2015).

2.5.1. Conduct exits conference and issue final audit report

The exit conference should include the auditors that conducted the engagement, the clients involved, and at least one level of management above the client. If not managed well, this can create an awkward dynamic - it can feel like the auditors are 'telling on' to the client, with the client's boss in the room. This is the reason it is so critical to keep the client aware of how the audit is progressing and the recommendations that will be made. The client can then share that with their manager, so nothing at the exit conference (or report) comes as a surprise.

1. An exit conference has three main purposes:
2. to confirm accuracy,
3. Resolve Problem

It is crucial to find any ambiguities that may have affected the audit's outcome before the audit report is sent out for final distribution. This is accomplished by discussing the report during an exit conference. In a similar way, managers can ask questions and address any concerns they may have during the departure conference if they choose to discuss any aspect of the audit. Those who can address the issues mentioned in the study should be given access to the entire report. More senior managers should be given access to summary reports. Additionally, the board, external auditors, and any parties impacted or curious about the outcome may get communications.

2.6. Risk Management

The objective of internal auditing is to evaluate the effectiveness of risk management practices and recommend appropriate improvements. The risk management process involves steps such as identifying and assessing risks, formulating risk-related policies and procedures, and putting them into action. The criteria, approved by the board of directors and established by senior management and the risk management team, also encompass activities like analysing, reviewing, reporting, investigating, detecting, and evaluating risks. (Bank Regulation, No. 24312, Negarit Gazette)

Internal audit has two key duties in relation to business risk management:

- Ensuring the effective functioning of the organization's risk management framework
- Supporting the successful implementation of enterprise risk management strategies
- The internal auditor's evaluation determines the strength of risk management practices (Zelalem S, 2014). This ensures that the organization's mission remains aligned with its overall objectives.
- Suitable risk responses are selected to align potential threats with the organization's risk tolerance, enabling employees, management, and the board to fulfill their duties. Additionally, pertinent risk-related information is promptly recorded and communicated throughout the organization. (South Carolina State University, Office of Internal Audit, 32)
- Choosing appropriate strategies to manage risks in line with the company's risk appetite enables the board, executives, and staff to perform their roles effectively. Moreover, relevant risk information is efficiently captured and disseminated within the organization. (South Carolina State University, Office of Internal Audit, 32)
- Safeguarding assets; ensuring the efficiency and effectiveness of programs and operations; maintaining the accuracy and reliability of financial and operational information; and

complying with applicable laws, regulations, policies, procedures, and contractual obligations.

The entity's risk assessment process

The auditor must update the assessment and modify the further scheduled audit processes in accordance with any new information that contradicts the audit evidence used in the first assessment, or if additional audit procedures produce audit evidence. (Source: A152 Paragraph)

ISA 315 requires the auditor to determine if the company has a process for: Finding business risks that are pertinent to the goals of financial reporting

- Calculating the hazards' importance
- Evaluating the probability that they will occur
- Choosing how to respond to those hazards

The financial reporting-related information system

The auditor needs to be aware of the following information system features that are relevant to financial reporting objectives:

- The types of commercial transactions that are significant for the financial statements
- How events and situations that are significant to the financial accounts but do not involve transactions are recorded by the information system
- The financial reporting process that produces the entity's financial statements includes significant accounting estimates and disclosures.
- Controls related to journal entries, particularly those involving non-routine, rare, or unusual entries used to document infrequent or one-time transactions or adjustments

Control activities

According to ISA 315, the auditor must learn about the control actions that are pertinent to the audit and how the organization has addressed IT-related risks.

Activities intended to prevent, identify, and fix problems are referred to as control activities. Activities pertaining to permission, performance evaluations, data processing, physical controls, and task segregation are a few examples.

Monitoring of controls

According to ISA 315, the auditor must learn about the control actions that are pertinent to the audit and how the organization has addressed IT-related risks.

Activities intended to prevent, identify, and fix problems are referred to as control activities. Activities pertaining to permission, performance evaluations, data processing, physical controls, and task segregation are a few examples.

2.5.2 Objectives of Internal Control System

An organization's internal controls system is a collection of guidelines, regulations, and practices that it uses to promote policy adherence, boost productivity, and give direction.

2.7. Implementation of Governance

Based on scholarly definitions, governance denotes the system of policies, processes, and oversight structures established by an organization's leadership—mainly its board of directors and top executives—to promote ethical behaviour, responsible decision-making, transparency, and accountability. Good the structures and practices that help an organization fulfill legal obligations, maintain ethical principles and operate in a manner that serves the best interests of all stakeholders, including investors., regulators, and the broader public. As stated by the Institute of Internal Auditors (IIA, 2013), governance consists of the systems and processes the board uses to direct, oversee, and evaluate organizational performance in pursuit of its goals. Similarly, the Open Compliance and Ethics Group (OCEG) emphasizes that governance reflects an organization's culture, values, strategic direction, and the formal procedures that shape how it is run on a day-to-day basis (OCEG, 2021). Effective governance ensures that decisions are made responsibly, risks are managed appropriately, and the organization remains aligned with its mission. Ultimately, the responsibility for maintaining a sound governance framework lies with top leadership, including the board and executive manage

When it comes to internal audit, experts like Pickett (2002) and Rao and (Vallabhaneni, 2009) say that internal auditors play an important role in governance. Their job is to assess how well governance is working and suggest improvements. This means promoting the right ethical standards within the company, making sure performance is managed properly, risks are communicated clearly, and information about controls reaches the right people. They also help improve communication between the board, auditors, and management. Internal auditors don't just check the numbers they also evaluate whether the company's ethics programs and goals are well designed and effective. Plus, any advice they give should align with the company's core values and goals, making sure everything supports the bigger picture.

2.8. Empirical Review

(2020, Tilahun) A study was conducted to examine the variables influencing the effectiveness of risk-based internal auditing in Ethio telecom. Information technology (IT), The usage of enterprise resource planning (ERP), risk maturity level (RM), internal audit division function (IAD), risk analysis (RA), and risk-based audit planning (RBP). According to the documents, Ethio Telecom's audit charter mandates that a risk-based internal audit approach be used when conducting audit activities. As required by the charter, the division must also develop risk-based strategic, annual, and operational audit plans based on the findings of risk assessments. According to examined materials, IAD has not yet developed a strategic audit strategy, even though the audit charter requires it to. The examination of Ethio Telecom's audit division's previous yearly audit plans revealed that the plans were created using risk inputs gathered from the division's self-assessment and the company-wide risk register. Analysing the division's audit reports also showed that the pre-risk assessment findings of the auditors served as the cornerstone for each audit engagement and field operation. Along with the, the records examined revealed that IAD maintains an audit risk universe of its own, which it updates annually. The division's risk registry includes risk records that are categorized by domain. Although the business risks associated with each auditable item are primarily updated using the company's official enterprise risk map, the Internal Audit Division (IAD) also relies on additional sources and professional judgment to ensure the risk register is practical and comprehensive, as the enterprise map alone is not adequate. Survey results confirm this, with 79% of respondents indicating that the division incorporates risk data from the organization-wide risk register when developing its annual audit plan.

(D. Solomon, 2019) An investigation on the impact of internal auditing practices on ESLSE was carried out. Examining how risk management practices and internal control systems affect business performance, as well as outlining the enterprise's internal auditing procedures, are among the goals. Both exploratory and explanatory research methodologies were employed in the study. Questionnaires were used to gather main data, while document reviews were used to get secondary data. Ninety members of the management and internal audit personnel were the target population. To choose the subjects, the researcher used purposive sampling approaches. Solomon D. (2019) An investigation on the impact of internal auditing practices on ESLSE was carried out. Responses

from sector directors, division managers, and team leaders indicate that the Internal Audit Division (IAD) has limited participation in the risk management process, as its overall contribution is below the expected level.

The users of the audit reports argued that the Internal Audit (IA) function was ineffective in reviewing all the systems utilized by the company, despite the IA team's claim that their work assesses the adequacy and effectiveness of internal controls. The company asserted that auditors conduct their work impartially when collecting, analysing, and evaluating information during the audit process. Additionally, they emphasized that the audit team possesses the necessary expertise and qualifications to carry out the audit successfully.

Bekele (2019) An investigation was conducted to assess the function of internal auditing practices, mandatory guidance elements, updated internal auditing standards, and the Institute of Internal Auditors' Code of Ethics, Sectors of Oromia Regional State to assess internal auditing practices in the public sector. Six sectors made up the study's sample, which was selected using the purposive sampling technique. Both qualitative and quantitative data types were employed in the investigation. particularly the business that established the internal audit department or unit by improving organizational effectiveness and adding value. Particularly in the areas of internal audit independence and impartiality, engagement planning, execution, communication of outcomes, progress tracking, and risk acceptance. All the Oromia Regional State's chosen bureaus should provide ongoing training and certifications to its internal audit employees to improve and upgrade them. Additionally, they should make sure that their audit staffing and resource allocation are enough to maximize the benefits of their audit department or unit.

Zelalem S. (2014) An evaluation of Lion Insurance S.C.'s internal auditing practices was the subject of this investigation. He concludes that internal auditors find and appropriately address issue and delay areas. Additionally, the company's internal auditor demonstration strategy is appalling. The organization conducts evaluations to continually enhance the efficiency of its management procedure. The internal auditors' regulating mechanism interferes with day-to-day operations.

2.9. Gaps in the literature

The empirical literature mentioned above indicates that several researchers evaluated internal auditing techniques. Research on internal auditing-related subjects has already been conducted in several Ethiopian enterprises. Significant developments have occurred in internal auditing, broadening its purview and enabling it to contribute more to the organization it supports. Internal auditing is always being reviewed and improved upon since it is different today than it was yesterday and earlier (Reding et al. 2013). So according to (Pitt, 2014) when he define internal audit “Internal auditing is also performed in diverse legal and cultural environments; within the organizations that vary in purpose, size and structure” so our study assess internal audit activities on mention four independent variables {risk management, internal audit practice, internal control, and governance} significant effect on company performance of Ethio Telecom. Our independent variables are used on the research of Solomon D {2019}. the researcher Take independent variables risk management, internal audit practice, and internal control. I take this independent variable on the case study of Ethio telecom by adding one independent variables of governance. I am referring different research study on Ethio telecom but am not get by this independent variable research, so for the company its new research develops the company by use our research finding take corrective action to improve their internal audit.

As was seen from the discussion above, most of the earlier research focused on the effectiveness of internal auditing in different Ethiopian firms. There have been very few studies on the evaluation of internal auditing processes across various companies and sectors. Furthermore, this study aims to close the gap by evaluating the internal audit practices in the study region, as no research has up to this point paid particular attention to doing so.

CHAPTER THREE

3. Research Methodology

The study area is determined by the assessment at the Ethiopian Telecom headquarters. Internal audit, enterprise risk management, sourcing, finance, customer experience, and communication are the departments that are the subject of the study.

3.1. Research Design

The Study assesses the effect of risk-based auditing on internal control using a case study on Ethiopian Telecom. The study helps managers and the company's board of directors understand the effects of risk-based auditing and internal auditing practices. To describe the essential features of the data in a study, the researcher used descriptive statistics. This study's research approach is explanatory. The descriptive design enables the examination of relationships between the various variables.

3.2. Research Approach

The assessment employs a mixed-methods approach, integrating both qualitative and quantitative techniques. The study also used cross-sectional data, which was evaluated using qualitative and static models such as regression.

3.3. Data Type and Data Source

The data was gathered from two primary sources: primary and secondary. The researcher developed two closed-end questionnaires to gather data from primary sources: one for directors, managers, and team leaders to use risk-based auditing, and another for internal auditors to assess internal audit procedures. Examining the evidence directly, free from outside interpretations, opinions, and analyses, is made feasible by the original source. o gathers secondary data, books, various written materials, and documents such as audit manuals and charters, audit reports, enterprise risk management reports, and annual audit plans were examined. Secondary sources are utilized to draw conclusions about the events detailed in primary sources.

3.4. Population and Sample size

Designing the sample begins with defining the population (Creswell, 2009). The study's target group consists of risk analysts, internal auditors, and high management representatives of Ethiopian Telecom. Ethiopian Telecom's internal audit section employs 40 internal auditors, while its risk management department employs 8 ERM. There are 22 chief officers who oversee their separate divisions of Ethiopian Telecom in addition to the CEO, who makes up the senior management team.

3.4.1. Sample Size

According to Abdi Khalil Edris, "A bad sample mistreats the population, but a good sample significantly tells the fortune or misfortune of the population." The study invited internal auditors, risk analysts, and senior management from across the company to take part.

Table 3.1 Respondents department

Demographic	Respondent	Target population
Working area	Internal audit department	40
	Finance department	9
	Communication department	1
	Customer experience department	7
	Sourcing department	5
	Enterprise risk management department	8
Total		70

3.4.2. Sampling Technique

A census sampling method was employed by the study. since all the respondents were chosen by the researchers. The study invited participation from all internal auditors, ERM teams, and firm executives.

3.5. Method of data Analysis

The study uses STATA software to evaluate the collected data. After gathering qualitative data, the researcher analyzed the information using the STATA and EVIEW software packages. The

results of the observation were then compiled and described using descriptive statistics, primarily a frequency count, percentage, mean, and standard deviations. The investigator develops a multi-regression model [inferential analysis] To examine the relationships among variables and to evaluate regression analysis, correlation, and hypothesis testing.

To test the research hypothesis, the following model has been developed.

$$CP = \beta_0 + \beta_1 RMP + \beta_2 ICS + \beta_3 IAP + \beta_4 G + e$$

Where:

CP stands for the ET's financial performance, β_0 for the regression coefficient or constant term, and β_1 – β_4 for the independent factor coefficients.

Risk management procedure, or RMP

Internal control system (ICS)

Internal auditing procedures, or IAPs

G stands for Governance.

e = error terms

3.6. Reliability and Validity

Documentary evidence of reliability is used to increase the validity of the information obtained from the survey. The Cronbach's alpha test was used for reliability assessment to further enhance the data reliability for the study's quantitative component. (Cronbach's, 1951) A reliability analysis value (α) of at least 0.60 is considered satisfactory. Field (2009) asserts that a reliability analysis value (α) greater than 0.70 is quite acceptable. According to table 4.23, each variable's Cronbach's alpha value was higher than 0.70, which is perfectly acceptable. Consequently, the answers derived from every variable in this research were sufficiently dependable for data analysis.

Variables	Cronbach Alpha	Average interitem covariance
Independence	0.7253	.3407605
Objectivity;	0.6149	.2329174
Provides added value to improve the organization	0.8055	.4786096

Helps the organization achieve its objectives	0.7190	.3398693
Effectiveness and efficiency	0.7399	.3107546
Quality assurance and Improvement program	0.6179	.4046346
Communicate the engagement results	0.6298	.194593
The internal audit charter	0.8008	.3746286
Risk management	0.6333	.1428352
Internal control	0.8294	.262682
Governance	0.7939	.3187739
Internal audit practice	0.6676	.1885057

Source; Stata output 2024

The term "validity" describes how well a method or tool used in the research achieves the desired results. The goal of this study was to establish validity by connecting theories with empirical research. The study tried to ensure that the sampling strategy, data collection technique, and study methodology were appropriate and relevant to the study's goals.

3.7. Ethical Considerations

Briefs describe the purpose of the study would clearly state in the introductory part of the questionnaires to be filled with by the respondent. All information that is collected from the respondents will be secured and confidential. No information modified or changed that fill by the respondents. We use the information only for the purpose of studying.

CHAPTER FOUR

4. Analysis and Interpretation of Data

The results of the study from the questionnaires and document evaluations are analyzed and discussed. The purpose of the study (Case Study on Ethiopia Telecom) was to evaluate how risk-based auditing affected internal control. The study's findings are displayed using tables and figures. The study questions mentioned in the previous chapter were intended to be addressed by the findings. and used the Likert scale for descriptive data in the table that follows.

4-5	highly satisfy
3-4	satisfy
Below 3	Poor satisfy

4.1. Data Description

The forms were circulated among all participants ET team leaders, division managers, sector directors, and internal audit department employees. Seventy questionnaires were made and distributed to the responders stated above. Nonetheless, a 92% response rate was achieved, with 64 out of 70 respondents who received the surveys fully completing and returning them. While the remaining 8% were absent because of fieldwork, this response rate was sufficient to draw study findings.

Table 4.1 Synopsis of Response Levels

Data Inputs	Data Collection Approaches	Study Participants	Response	Frequency	Percentage
Executive Leadership, Mid-Level Managers, Team Coordinators, and Internal Auditors	Questionnaires	70	Filled and returned the questionnaires	64	92
			No response	6	8

Totals	70	100
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Source: Field survey, 2024

Internal Auditing performance

The internal audit department's performance over the years 2010–2011–2012–2013 is examined by the researcher. And the researcher interprets the data with planned and actual performed practice by internal audit department. IAD annually plan of the title selection of risk based on audit, frequently the title changes or merge. Based on the risk IAD prepared regular audit (open end questioners) and special audit (closed end questioners). this team (limitation of resource, certified and not enough number officers). On the company there was refine process (unwillingness, capacity of auditor, without evidence, interrelated document]. Finally make exit conference with IAD, and client. Quarterly IAD make conference with board director. With 140 specific audit reports in various areas released to ET management and BOD by the enterprise's internal audit department, it is clear from the chart below that the number of audit activities rose annually. The Internal Audit Department is responsible for performing both compliance and risk-based audits of operational activities; of these, 86% of the activities were risk-based audits, with the remaining 14% being compliance audits.

Table 4.2 no year’s Title planned and actual performance

no	Years	Title planned	actual	Performance
1	2010	45	30	0.67
2	2011	61	35	0.57
3	2012	50	40	0.8
4	2013	61	45	0.74

Type of audit	Frequency	Percentage
Risk based on audit	120	0.86
compliance audit	20	0.14

4.1.1 General Information

Details about the respondents' general characteristics, Demographic attributes—age, gender, education, and work experience—are outlined below.

4.2. Gender of the respondents

The study found that 17 percent of respondents were women and 83 percent of respondents were men. This suggests that men participated in the study in significant numbers. compliance examination.

Table 4.3 STATA output for gender distribution

gender	Freq.	Percent	Cum.
male	53	82.81	82.81
female	11	17.19	100.00
Total	64	100.00	

Source: Field survey, 2024

1.1.1 Age of the respondents

When asked to identify their age group, respondents in the survey were divided into three age groups: 45.31 percent were between the ages of 30 and 39, 39.06 percent were between the ages of 40 and 49, and 14 Individuals aged 50 to 59 accounted for a portion of the population, with 2% being above 60. None of the responses, meanwhile, identified as being in the 20–29 age range.

Table 4.4 Age group breakdown from STATA output

age	Freq.	Percent	Cum.
30 up to 39	29	45.31	45.31
40 up to 49	25	39.06	84.38
50 up to 59	9	14.06	98.44
above 60	1	1.56	100.00
Total	64	100.00	

Source: Field survey, 2024

1.1.2 Educational Field, Qualifications & Accreditation

The topic of study and degree of qualification of our responders are indicated. Table 4.4 shows that the respondents' greatest level of education was a bachelor's degree [33] and a master's degree [31]. According to the study's field, the participants reported having a background in accounting (27) management (14) other, (16) other, and (7) economics. As evidence of their familiarity with the topics covered in the study, most of the respondents in this case had academic backgrounds in accounting, management, economics, and related fields. Additionally, just six respondents have completed short-term training certificates in CRMA, CGAP, and other courses.

This result indicates that the internal audit team possessed strong educational backgrounds, with qualifications at the bachelor’s and master’s levels across various fields. Internal audit teams inside the company lack certified professionals in terms of professional qualification.

Table 4.4 STATA Summary of Academic Discipline, Occupation, and Certifications

fieldst	profession		Total			
	Bachelor	Master’s		Freq.	Percent	Cum.
Accounting	17	10	27			
Management	6	8	14			
Economics	1	6	7			
other	9	7	16			
Total	33	31	64			
	certification					
Certified in Government Auditing Profes				1	16.67	16.67
Certified in Risk Management Assurance				4	66.67	83.33
others specify				1	16.67	100.00
	Total			6	100.00	

Source: Field survey, 2024

1.1.3 Work experience [internal auditor]

Respondents from the internal audit team were asked to report the number of years they had served. The study found that 13 respondents had worked as internal auditors for 0–3 years, 12 had worked for 8–12 years, 6 had worked for more than 13 years, and 3 had worked for 4–7 years or longer.

Table 4.5 demonstrates that the majority—30 of 34 auditors—have over three years of experience in non-auditing roles. This suggests that most respondents have acquired knowledge, which has enhanced the study's acknowledged worth.

Table 4.5 STATA output for work experience as auditor and other than auditor

experienceIN	experienceOT				Total
	13 years	4-7 years	0-3 years	8-12 year	
0-3 years	8	2	1	2	13
8-12 years	5	4	2	1	12
13 years and above	4	0	1	1	6
4-7 years	1	2	0	0	3
Total	18	8	4	4	34

Source: Field survey, 2024

1.1.4 Employee Position and Departmental Assignment

As per the questionnaire instructions, participants provided information about their current positions and departmental assignments within the organization. The findings are shown below:

Table 4.7 STATA Analysis of Respondents' Occupational Roles

profession	Freq.	Percent	Cum.
Internal auditor team	34	53.13	53.13
Team leader	15	23.44	76.56
Division Manager	13	20.31	96.88
Department director	1	1.56	98.44
Chief accountant	1	1.56	100.00
Total	64	100.00	

Source: Field survey, 2024

This table provides insight into the occupational background of the respondents. The data can help assess how the diversity of roles might influence perceptions or responses in the study.

Table 4.8 STATA Output Reflecting Respondents' Working Divisions:

DEPT	Freq.	Percent	Cum.
INTERNAL AUDIT DEPT	34	53.13	53.13
FINANCE DEPT	9	14.06	67.19
ERM DEPT	8	12.50	79.69
CUSTOMER EXPERIENCE	7	10.94	90.63
SOURCING DEPT	5	7.81	98.44
COMMUNICATION	1	1.56	100.00
Total	64	100.00	

Source: Field survey, 2024

To obtain relevant replies from the respondents and conduct analysis, this study endeavoured to capture input from internal auditors and management across all units and levels of the ET sectors. This ensured that there was no prejudice.

PART II Descriptive statistics of Internal Audit Practices [Internal auditor respondent]

1. Independence

The golden principles, upon which the Code of Ethics for Internal Auditors is founded, affirm that internal auditing is an autonomous assessment activity (IIA, www.theiia.org). We must be careful to stress its significance in this context, even though the fact that it is inside an organization negates the meaning of the word "independent." The independence of an internal auditor is the ability to report on significant facts and data without being influenced by partiality or criticism.

Table 4.9 Response of respondent on Independence

S.NO	Questions	Respon dents	Min	Max	Mean	St. Deviation
Q1	The internal audit department is capable of reporting significant facts and figures impartially, without any bias.	34	3	5	4.147059	.1204001
Q2	Internal audit department express their opinions/ perform the audit activity without any threat their position.	34	2	5	3.852941	1.018982
Q3	Internal audit department investigate any miss statement independently	34	2	5	4.117647	.8077168
Independence		34	2	5	4.04	0.65

Source: Field survey, 2024

Table 4.9 reveals that [Q1 Q2 and Q3] our respondents received a mean score of 4.04 overall, indicating that they concur that ETHIO TELECOM enterprise of Internal Audit Practices has an internal audit department that can independently report on important facts and figures, without favouritism, express their opinions, and carry out the audit activity without endangering their position. Additionally, the department independently investigates any miss statements. The standard deviations for Q1 and Q3 were both less than 1.00. It demonstrates that most respondents'

perceptions agreed. Nonetheless, the fact that the Q2 standard deviation exceeded 1.00 indicates that respondents' opinions differed greatly.

2. Objectivity.

As per the IIA (www.theiia.org), objectivity is a professional ability, and a competent internal auditor must evaluate the facts with the highest care. It is not appropriate for an internal auditor to use expressions without sufficient evidence or to make careless and reckless assertions. The greatest degree of professional objectivity is displayed by internal auditors when they collect, assess, and disseminate information.

Table 4.10 Response of respondent on Objectivity.

S.NO	Questions	Respondents	Min	Max	Mean	St. Deviation
Q4	Internal audit department investigate any statement with proper evidence	34	2	5	4.352941	.8486122
Q5	The internal audit department maintains professional impartiality during gathering, evaluation, and communication of information.	34	2	5	4.088235	.7534827
Q6	The auditor's report on the company's financial statements is declared to be accurate and fair, presenting an unbiased, factual account that reflects the economic substance of the organization's transactions.	34	2	5	4.058824	.8507101
Objectivity.		34	2	5	4.17	0.82

Source: Field survey, 2024

[Q4 Q5, Q6] respondents agree with the enterprise's objectivity, according to I Table 4.10, which has a mean score of 4.17 overall with a standard deviation of 0.82. Any statement with the appropriate supporting documentation is examined by the internal audit department, which also gathers, evaluates, and disseminates information with professional objectivity. The auditor provides an honest and unbiased report on the company's financial statements are objective, factual, and capture the business spirit of the company's dealings. The standard deviation was smaller than 1.00 in Q4, Q5, and Q6. It demonstrates that respondents' opinions were comparable.

3. Creates value that supports organizational improvement.

Table 4.11 our respondent Provides added value to improve the organization

S.NO	Questions	Respon dents	Min	Max	Mean	St. Deviation
7	Continuously review and track marketing and advertising budgets	34	2	5	3.5	.9923953
8	Promote a culture cantered on optimizing operations and perpetual improvement.	34	2	5	3.676471	.7269942
9	Consistently recognize and address developing risks.	34	2	5	3.352941	.9811049
Provides added value to improve the organization		34	2	5	3.51	0.90

Source: Field survey, 2024

The overall mean score for [Q7, Q8, and Q9] is 3.51, with standard deviations of 0.90, as indicated in Table 4.11. This demonstrates our respondents' agreement with the business enhances the organization by adding value. Maintaining a culture of operational efficiency, assessing and improving human capital needs, identifying and mitigating changing risks, and continuously monitoring and evaluating marketing and advertising expenditures Talented, driven employees need challenging work and get bored soon. In Q7, Q8, and Q9, the standard deviation measured under 1.00. It shows that respondents' perceptions were like each other.

Enhancing the quality of information for decision-making is one of internal auditing's goals to add value to the organization (Bou-Raad, 2000).

4. Contributes to the organization's goal attainment.

Table 4.12 our respondent Helps the organization achieve its objectives

S.NO	Questions	Respo ndents	Min	Max	Mean	St. Deviation
Q10	Using a structured and rigorous methodology, the internal audit function assesses and strengthens governance, control, and risk management practices.	34	2	5	3.823529	.7576114
Q11	The internal audit function involves evaluation, appraisal, and continuous oversight of the sufficiency and performance of internal controls.	34	2	5	3.735294	.8981065
Q12	Providing objective and autonomous assurance and advisory support, the internal audit function seeks to enhance organizational performance	34	2	5	3.882353	.913359
Helps the organization achieve its objectives		34	2	5	3.81	0.86

Source: Field survey, 2024

The respondents' opinions on helping the organization reach its goals are shown in Table 4.12 above [Q10, Q11, and Q12]. The average score for all respondents was 3.81, With a standard deviation of 0.86, the overall mean score demonstrates that respondents generally agree that the internal audit department assists the organization in achieving its goals through a systematic and disciplined method to assess and enhance the effectiveness of risk management, controls, and governance processes. This includes: - Assessing the strength and adequacy of internal control systems; - Providing objective and unbiased assurance and advisory services aimed at improving

organizational performance and adding value; - Monitoring the effectiveness of internal controls. For questions Q10, Q11, and Q12, the standard deviation was below 1.00, indicating a high level of consensus among respondents' views.

5. Effectiveness and efficiency

The IIA defines "added value" in its guidance on performance standard 2000, "Managing the Internal Audit Activity," as internal auditing enhancing the organization and its stakeholders by supporting effective and efficient governance, risk management, and control processes, while delivering objective and pertinent assurance.

Table 4.13 our respondent Effectiveness and efficiency

S.N O	Questions	Respo ndents	Mi n	Max	Mean	St. Deviation
Q13	Degree of involvement in enhancing governance, control, and risk management procedures	34	2	5	3.882353	.7692856
Q14	Enhanced employee productivity and increased audit process efficiency	34	2	5	3.735294	.7096232
Q15	Internal audit activities' quality improvement initiatives and the methods for quality assurance that were developed.	34	2	5	3.294118	.9055188
Effectiveness and efficiency		34	2	5	3.64	0.80

Source: Field survey, 2024

In the above table, Table 4.13 [Q12, Q14, and Q15], the respondents' views on efficiency and effectiveness are displayed. All responders had an average score of 3.64, with a standard deviation of 0.80. When the internal audit department's work improves effectiveness and efficiency and provides relevant, unbiased assurance, it benefits the company (and its stakeholders). With an overall average score of 3.64 and a standard deviation of 0.80, the standard deviations for Q12, Q14, and Q15 were all below 1.00. This indicates that most respondents shared a similar viewpoint.

6. Engagement with the audit committee

Internal audit must work with the audit committee to make sure that management is held responsible and that important risks are properly identified for evaluation. The audit committee receives objective information on governance, control, and risk from internal audits. Heads of internal audit discuss how the two work together. {CIIA P.19}

Table 4.14 our respondent response the relationship with the audit committee

S.NO	Questions	Respo ndents	Min	Max	Mean	St. Deviation
Q16	In your company have audit committee	34				
Q17	The audit committee collaborates effectively with internal auditors to oversee and evaluate the activities.	34				
Q18	The audit committee evaluates the annual internal audit work plan, keeps track of the work, and collaborates well with internal auditors. It also regularly obtains reports on the results of the internal audit activities.	34				
Q19	The audit committee conducts routine evaluations of the internal audit function's performance.	34				
The interaction with the audit committee		34				

Source: Field survey, 2024

From 34 respondents only 11 agree the company have audit committee the majority our respondent does not agree the company have the audit committee.

7. Quality Improvement and Assurance Plan

The Quality Assurance and Improvement Program (QAIP) aims to foster ongoing enhancement of the Internal Audit function and offer stakeholders a reasonable assurance that Internal Audit:

Adheres to its Charter, which is in accordance with TPP 15-03 and the IIA Standards and Code of Ethics; o Operates effectively and efficiently; and o Is seen by stakeholders as enhancing business practices and providing value.

Table 4.15 our respondent Quality assurance and Improvement program

S.NO	Questions	Respo ndents	Min	Max	Mean	St. Deviation
Q20	The department of internal auditing creates a system, a technique for monitoring activities, such as planning and supervising engagements, standard operating procedures, documentation processes and approvals, along with report evaluations.	34	1	5	3.823529	.8693637
Q21	Internal audit department have Periodic self-assessments focus on evaluating the quality of the audit work, supervision, policies and proceduresadds value to the organization.	34	1	5	3.5	.9923953
Q22	An independent evaluator or evaluation team, certified in internal auditing and external to the organization, carries out external assessments at least once every five years.	34	1	5	3.176471	1.313579
Program for Quality Assurance and Enhancement		34	1	5	3.5	1.06

Source: Field survey, 2024

Table 4.15 [Q20, Q21, and Q22] above displays the respondents' opinions regarding the Quality Assurance and Improvement program, with a mean score of 3.5. The average of our answers indicates that they agree that Frequent self-evaluations focus on determining how well the

organization benefits from the audit work, supervision, policies, and procedures. At least once every five years, external assessments are carried out by an unbiased external assessor or assessment team accredited in internal auditing. The standard deviations for Q20 and Q21 are also less than 1.00. It implies a similar perception among the responders. The fact that Q22's standard deviation was greater than 1.00, however, indicates that respondents' perspectives varied significantly.

8. Communicate the engagement results

The exit conference should include the auditors that conducted the engagement, the clients involved, and at least one level of management above the client. If not managed well, this can create an awkward dynamic - it can feel like the auditors are 'telling on' to the client, with the client's boss in the room. This is the reason it is so critical to keep the client aware of how the audit is progressing and the recommendations that will be made. The client can then share that with their manager, so nothing at the exit conference (or report) comes as a surprise. An exit conference has three main purposes:

4. to confirm accuracy,
5. To resolve any issues,
6. Generate commitment.

Table 4.16 our respondent Communicate the engagement results

S.NO	Questions	Respo ndents	Min	Max	Mean	St. Deviation
Q23	Internal auditors within the organization present the engagement findings, objectives, scope, and recommendations to the internal audit director.	34	3	5	4.411765	.5569205
Q24	The audit report that has been distributed to the relevant parties is complete, accurate, and free of errors.	34	3	5	4.088235	.621223
Q25	Regarding the audit engagements, the internal audit department holds exit conferences with the audited department or sector.	34	1	5	4.147059	.9576598
Communicate the engagement results		34	2.3	5	4.22	0.71

Source: Field survey, 2024

Table 4.16 [Q23, Q24, and Q25] above displays the respondents' thoughts on sharing the engagement results. All responders received an average score of 4.2, with a standard deviation of 0.71. The total means show how much our respondents agreed with the internal audit department. The enterprise's internal auditors communicate the engagement findings, including objectives, scope, conclusions, and recommendations, in a clear, concise, and error-free manner to the internal audit director. The internal audit department meets with the audited department or sector to discuss the audit engagements.

9.The internal audit charter

It creates the IAD's place in the organizational structure, outlines the fundamental policy statement that governs the IA department's operations, and outlines the goals, powers, and duties of IAD (S. Rao.Vallabhanen, 2009).

According to the IIA (2013), the internal audit charter is "a formal document that defines the purpose, authority, and responsibility of the internal audit activity." The internal audit charter

defines the scope of the internal audit activities, assigns a position to internal audit activities within the organization, and permits access to personnel, records, and physical assets that are necessary for the execution of the engagements.

Table 4.17 respondent internal audit charter

S.NO	Questions	Respo ndents	Min	Max	Mean	St. Deviation
26	Rights to budget data access, a formal definition of the internal audit function, and the internal audit team	34	2	5	4.029412	.8343131
27	The internal audit unit allows personnel to access documents and physical assets relevant to the execution of their duties.	34	2	5	3.705882	.7988405
28	The internal audit department offers impartial assessments of the adequacy and effectiveness of governance, risk management, and control processes.	34	2	5	4.088235	.7926804
The internal audit charter		34	2	5	3.94	0.81

Source: Field survey, 2024

Their views on the internal audit charter are displayed in Table 4.17 [Q26, Q27, and Q28] above. The collective average score for all responders stood at 3.9, with a standard deviation of 0.81. According to the general means, our respondents are in favor of the internal audit department's access to budgetary information, a written statement of the internal audit function, and records, employees, and physical assets pertaining to the department's operations. Additionally, they are back impartial assessments of the effectiveness and adequacy of governance, risk management, and control protocols. The standard deviation for Q26, Q27, and Q28 was less than 1.00. It demonstrates that respondents' opinions were comparable.

Summary of Internal audit practice

Table 4.17 above displays the respondents' views on the internal audit charter (Q26, Q27, and Q28). The mean score across all responders was 3.9, with a standard deviation of 0.81. The mean score reflects respondents' agreement with the internal audit department's entitlement to budgetary information and the official description of its role, as well as their permission to access personnel, records, and physical properties related to the performance and independent assessments of the effectiveness and sufficiency of governance, risk management, and control procedures. The standard deviations for Q26, Q27, and Q28 were all less than 1.00. It implies that the opinions of the respondents were comparable.

Table 4.18 Summary of Internal audit practice

S.NO	Questions	Respo ndents	Min	Max	Mean	St. Deviation
1.	Independence	34	2	5	4.04	0.65
2.	Objectivity;	34	2	5	4.17	0.82
3.	Provides added value to improve the organization	34	2	5	3.51	0.90
4.	Helps the organization achieve its objectives	34	2	5	3.81	0.86
5.	Effectiveness and efficiency	34	2	5	3.64	0.80
6.	The relationship with the audit committee	34				
7.	Quality assurance and Improvement program	34	1	5	3.5	1.06
8.	Communicate the engagement results	34	2.3	5	4.22	0.71
9	The internal audit charter	34	2	5	3.94	0.81

Internal audit practice	34	1	5	3.85	0.83
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PART III Descriptive statistics of independent variable Effect of CP [Director, manager]

Internal auditors need to review the adequacy of risk management practices and contribute to their development. The risk management process involves identifying and assessing risks, formulating risk policies and procedures, and executing them. The risks are subsequently analysed, assessed, documented, investigated, recognized, and evaluated according to the frameworks established by senior management and the risk management committee, and ratified by the board of directors. Regulation of Banks, Negarit Gazette, no. 24312

"What are the major risks that could stop us from achieving the mission?" is the straightforward question that ERM practitioners try to answer.

S.NO	Questions	Respon den ts	Mi n	Max	Mean	St. Deviation
1.	The internal audit department's activities evaluate the effectiveness of risk management processes and contribute to their improvement.	30	3	5	3.9	.7119667
2.	The departments of internal audit Making sure that assets are protected and that laws, rules, policies, procedures, and contracts are followed while assessing risk exposures	30	2	5	3.83333 3	.74664
3.	Once risk exposures associated with the organization's operations and governance have been identified, Integrity and dependability of operational and financial data	30	2	5	3.7	.5349831
4.	When identifying risk exposures associated with the governance and operations of the company, having access to the dependability and accuracy of operational and financial data	30	2	5	3.5	.8610339
5.	The departments of internal audit Ensuring the organization's risk management system by promptly and appropriately proposing suitable risk management strategies or providing suitable risk responses.	30	2	5	3.33333 3	.8840866
6.	recognizing, assessing, reporting, investigating, and analysing risks within the guidelines set by the board of directors and	30	1	5	3.26666 7	.980265

the organization's senior management and risk management group.					
Risk management process	30	2.67	5	3.59	0.79

Table 4.20 Risk management process

Source Field survey, 2024

The respondents' opinions regarding the risk management process are shown in Table 4.20 [Q1 Q2 Q3 Q4 Q5 and Q6]. The average score for all respondents was 3.9, with a standard deviation of 0.81. The overall mean indicates that our respondents concur that the internal audit department's work assesses the efficacy and helps to enhance risk management procedures, ensuring asset protection; and adhering to legal requirements, rules, policies, procedures, and contracts when assessing risk exposures. Once risk exposures associated with the organization's operations and governance have been identified, Integrity and dependability of financial and operational data, the application of methodologies for assessing risk exposures with regard to business risks, Ensuring the organization's risk management system by promptly and appropriately proposing suitable risk management strategies or providing suitable risk responses. Additionally, the organization's top management and the risk oversight team group, in conjunction with the board of directors, established the framework for the analysis, evaluation, reporting, research, recognition, and assessment of risks. Q1, Q2, Q3, Q4, Q5, and Q6 all had standard deviations below 1.00. It suggests that the respondents' perceptions were similar.

From formal discussion with different manger the company have an ERM [enterprise risk management team] the main purpose of this is by identified the company risk make recommendation to the team. There many processes follow by the team started from risk identification – analysis the risk – select the risk by their occurs. Take priority based on low, medium, high and extreme [uncontrolled damage]. based on policy and procedure take analysis and prepared summarized assessment report for top manager. After approved immediately response the risk either mitigate or avoided the risk. The all process prepared closed report finally register risk register book. This book input information for internal auditor for their investigation.

The internal department annually takes risk-based audit. From different source like ERM documents, history of risk register board directors and mind risk [interview]. All process internal audit department follow by policy and procedure of the department. Analysis interpretation selects titled priority potential and assigns a team [experience, competence and profession] from informal discussion on this assigning a team limitation of resource occurred. the team planning and create methodology finally made a working paper and discuss the report and recommendation to the department. The team supervise the comment on the investigate department after 30-day action plan prepared closed the investigate register on recommendation books.

- **Internal control systems.**

ISA 315 (Revised) emphasizes that the auditor needs to comprehend the organization and its environment, with particular focus on its internal controls. Throughout the audit, information is consistently gathered, updated, and examined to gain a thorough understanding of the business and its internal control system. According to Coderre (2009), the audit opinion should reflect how effectively the internal control system ensures that personnel and assets are properly safeguarded; that the organization adheres to relevant laws, regulations, and contractual obligations; that operations are conducted efficiently to support the achievement of intended objectives; and that financial and operational data is accurate, timely, and dependable.

Table 21 Internal control systems response

S.NO	Questions	Respo ndents	Min	Ma x	Mean	St. Deviation
7.	Learning about the organization and its surroundings, especially its internal control,	30	2	5	3.733333	.7849153
8.	reasonable certainty that the entity's goals will be met in terms of operational efficacy and efficiency, financial reporting accuracy, and adherence to relevant laws and regulations.	30	2	5	3.6	.6746647
9.	Protect resources and make sure that recordkeeping and accountability mechanisms are adequate.	30	2	5	3.6	.8944272
10	The auditor will gain knowledge of the information system that is pertinent to the goals of financial reporting.	30	3	5	4	.6948083
11	understanding of audit-related control measures and how the organization has managed risks via policies and procedures that ensure management directives	30	3	5	4	.6948083
12	The organization utilizes it to monitor the performance of internal controls over financial reporting over time, including actions related to audit-relevant	30	2	5	3.733333	.827682

	activities. control. taking the appropriate remedial steps					
Internal control systems.		30	2	5	3.78	0.76

The table above indicates that respondents agree the internal audit department maintains an internal control system, as reflected by a mean score of 3.78 and a standard deviation of 0.76. The department demonstrates an understanding of the organization and its environment, particularly in relation to internal control over financial reporting accuracy, operational efficiency and effectiveness, and adherence to relevant laws and regulations. It follows established procedures and protocols to support the implementation of managerial directives. The organization actively monitors its internal control systems and implements corrective measures when needed. It also ensures resource protection, accountability, and proper recordkeeping practices. The standard deviations for questions Q7 through Q12 are all below 1.00, indicating that respondents' views were largely consistent.

The impact of the internal audit department on the company's internal control system was discussed formally by a manager. By looking into the risk and acting, you can manage business risk. The aggregate document [policy and procedure] was followed by all processes, and work time was managed and reviewed. Corrective action and immediate repose for the comment are taken by the investigation department based on the findings of the internal audit department. The internal audit division oversees their action plan recommendations. Key performance metrics and benchmarks are in place in the department.

13	evaluate and offer suitable suggestions for enhancing and advancing morals and values inside the company.	30	2	5	4	.7427814
14	evaluate and offer suitable suggestions for enhancing the organization's performance management, accountability, and risk communication.	30	2	5	3.866667	.8193072
15	Evaluation of the effectiveness of communication between those in charge of governance, external and internal auditors, and management, as well as recommendations for enhancing and controlling information to the right sections of the business.	30	2	5	3.933333	.6914918

This item received a relatively high mean score, indicating that respondents perceive effective communication among key governance players. The low standard deviation reflects a high level of agreement and consistency among respondents regarding this aspect.

3. Implementation of Governance

Implementation of Governance	30	2	5	3.93	0.63
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Source Field survey, 2024

Table 22 Implementation of Governance response

After holding an official discussion with the department manager, the internal audit team examines working hours and investigates the process design, guidelines, and organizational policies in place. Each department has its own governance structure, along with specific rules and procedures. When conducting reviews, the internal audit team adheres to the respective department’s established protocols. Additionally, the department provides appropriate suggestions for directing information

to the relevant areas within the organization, aiming to enhance communication among governance leaders.

- **INTERNAL AUDIT PRACITES**

Internal auditors are used as part of a company's control system. Their duties, which might be quite varied, are decided by management. Internal audits are a way for auditors chosen from within the organization to collect data regarding the efficacy of the quality system. These auditors are impartial regardless of the role, area, or procedures under audit. Furthermore, the Internal Audit Function (IAF) is the mechanism that makes sure the quality management system is formally audited and functioning in accordance with the declared quality system (MOFED, 2004). One of the objectives of internal auditing is to improve the quality of information used for decision-making to benefit the company (Bou-Raad, 2000).

Table 23 Internal audit practice response

S. N O	Questions	Res pon dent s	Min	Ma x	Mean	St. Deviation
16	The skills and knowledge required for the internal audit function to understand and execute processes that provide assurance.	30	1	5	3.933333	.827682
17	An independent evaluation process used by a company to examine its financial, accounting, and other activities is called internal audit.	30	2	5	3.866667	.7302967
18	evaluating the operating effectiveness and systems relevant to financial instrument control activities, financial instrument activities	30	2	5	3.6	.8136762

19	Evaluating if new hazards associated with financial instruments are recognized, evaluated, controlled, and recommended	30	2	5	3.666667	.9222661
20	When instructed by management, internal audit can participate in a wide range of tasks.	30	2	5	3.833333	.74664
INTERNAL AUDIT PRACITES		30	2.4	5	3.78	0.53

Source

The above Table [Q16 Q17 Q18 Q19 and Q20] indicate that respondents view on **INTERNAL AUDIT PRACITES** The mean score for all our responders was 3.78, with a standard deviation of 0.53. The average score shows that our participants agree with the skills and expertise of the internal audit division required for an internal audit function to understand and execute processes to provide assurance. The independent evaluation process known as internal audit is used by organizations to examine accounting, financial, and other operations; evaluate the efficiency of systems and operations pertaining to financial instrument control activities; ascertain whether new risks associated with financial instruments are identified, assessed, and managed; and offer relevant recommendations and As directed by management, internal audit may be involved in a variety of duties. Q16, Q17, Q18, Q19, and Q20 all had standard deviations below 1.00. It shows that respondents' perceptions were like each other.

- **Company Performance**

Table 24 Company Performance response

S. N O	Questions	Res pon dent s	Min	Ma x	Mean	St. Deviation
21	The company's internal audit department is proficient in identifying, analysing, and recommending suitable risks. for the	30	2	5	3.866667	.9371024

	department to contribute to the performance of the business.					
22	By examining every system and providing suitable audit recommendations, the company may identify and prevent system flaws and offer suitable solutions for the issues it has faced. As a result, the enterprise system is enhanced and business performance rises.	30	2	5	3.633333	.8502873
23	To enhance the organization's corporate governance and operational efficiency, the internal audit unit delivers a range of audit services—including financial, system, and performance audits—conducted independently and objectively by skilled, knowledgeable, and capable internal auditors.	30	1	5	3.833333	.8742813
Company Performance		30	1.67	5	3.78	0.77

According to Table 24 [Q21, Q22, and Q23] above, respondents' overall mean score on the company performance is 3.78, with a standard deviation of 0.77. The mean score for all our responders was 3.78, with a standard deviation of 0.53. The average score shows that our participants agree with the skills and expertise of the internal audit division required for an internal audit function to understand and execute processes to provide assurance. The independent evaluation process known as internal audit is used by organizations to examine accounting, financial, and other operations; evaluate the efficiency of systems and operations pertaining to financial instrument control activities; ascertain whether new risks associated with financial instruments are identified, assessed, and managed; and offer relevant recommendations and As directed by management, internal audit may be involved in a variety of duties.

4.3. THE ASSUMPTIONS OF CLASSICAL LINEAR REGRESSION

Source	SS	df	MS	Number of obs	=	30
Model	9.8549476	4	2.4637369	F(4, 25)	=	8.67
Residual	7.10801536	25	.284320614	Prob > F	=	0.0002
				R-squared	=	0.5810
				Adj R-squared	=	0.5139
Total	16.962963	29	.584929757	Root MSE	=	.53322

companyper~e	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]
Riskmanage~t	.3056034	.3137256	0.97	0.339	-.3405266 .9517334
Internalco~l	.3283338	.2432497	1.35	0.189	-.1726483 .829316
governance	.4947374	.2251176	2.20	0.037	.0310991 .9583757
internallau~e	.0830392	.2554873	0.33	0.748	-.4431467 .6092251
_cons	-.8192263	.84529	-0.97	0.342	-2.560134 .9216809

According to the calculated regression equation, $FP = \beta_0 + \beta_1 RMP + \beta_2 ICS + \beta_3 G + \beta_4 IAP + e$, where β_0 is the constant and $\beta_1 = 0.31$, $\beta_2 = 0.33$, $\beta_3 = 0.49$, and $\beta_4 = 0.08$. This is the model's fitted regression equation:

$$FP = 0.82 + 0.31 RMP + 0.33 ICS + 0.49 G + 0.08 IAP +$$

4.3.1 Assessment of Multics linearity

Multicollinearity arises when predictors are strongly correlated with one another. It is typically identified when the correlation matrix reveals values above 0.80, tolerance values fall below 0.10, and the Variance Inflation Factor (VIF) exceeds 10 (Field, 2009). Tolerance, in this context, refers to a statistical measure that indicates the degree to which an independent variable is independent from other predictors in the model. As shown in Table 4.25, which illustrates the correlations among independent variables, all tolerance values were above 0.10 and all VIF values were below 10. This suggests that multicollinearity was not a concern in the model.

4.3.2 Assessment of auto correlation

According to Brooks (2008), if the residuals of a model display a systematic pattern, it may indicate the presence of autocorrelation. The Durbin-Watson (DW) test is commonly used to detect first-order autocorrelation (Field, 2009), as it evaluates whether there is a relationship between an error term and its preceding value. In this test, the null hypothesis assumes no autocorrelation, and it

cannot be rejected when the DW statistic is close to 2, suggesting minimal or no autocorrelation (Brooks, 2008). As shown in Table 4.27, the DW value is 2.28, which is close to 2. This indicates that there is no significant autocorrelation among the error terms in this study.

Table 4.27 Durbin Watson Test Model Summary

Model	R square	Adjusted R squared	Durbin Watson
1	0.5810	0.5139	2.281133

Independent variable: (Constant), Risk management process, internal control system, Implementation of Governance internal audit practice. Dependent variable: Company performance.

4.3.3 Discussion of finding

If a model's residuals show patterns, they could be considered autocorrelated (Brooks, 2008). Field (2009) states that the Durbin-Watson (DW) test can be used to test for first order autocorrelation. It assumes that there is a connection between an error and its precursor. The null hypothesis, according to Brooks (2008), that there is no autocorrelation, cannot be rejected in this type of test when the DW result is near to 2. because it suggests that there is either very little or no autocorrelation. According to Table 4.27, the Durbin-Watson (DW) statistics value is 2.28, which is close to 2. Consequently, this analysis reveals no evidence of autocorrelation between the error terms.

H₁: Internal audit activities in risk management have a significant effect on Auditit performance of Ethio Telecom.

The first hypothesis looked at how ET's business performance is affected by internal auditing procedures in the risk management process. When risk management is raised by one unit, the company's performance improves by 0.305603. with a total mean of 3.9 and a standard deviation of 0.81. A weak correlation between the independent and dependent variables is indicated by a T value of 0.97, which also suggests that the prediction capacity of that coefficient is not very reliable (all business, 2022). Several Ethiopian academics claim that Ethiopian Telecom's audit division proved that the plans were developed utilizing risk inputs obtained from the company-wide risk registry and the division's self-assessment. IAD has its own audit risk universe, which it updates every year, according to the documents analysed (Tilahun, 2020). Solomon, D. (2019) IAD's involvement in the risk management process is minor, as seen by the below-average contribution of internal audit activities to the process. He concludes that risk management practices do

significantly affect how well a corporation performs. This result is consistent with the findings of Desalegn et al. (2007) and (Hamdukeidir, 2014), who discovered that internal auditing is limited to auditing routine operations in addition to financial and compliance audits. an assessment of risk, the thoroughness of the plan, the audit's lucidity, the coverage of important areas, and the pressing need for change (Zelalem S, 2014).

H₂: Internal audit activities in control system have a significant effect on company performance of Ethio Telecom

The second hypothesis examined internal auditing practices in control systems that impact ET's business performance. The performance of the company increases by 0.328334 when internal control is increased by one unit. 3.78 on average, with a 0.76 standard deviation. T value 1.35 denotes a weak correlation between the independent and dependent variables and low reliability of the prediction capability of that coefficient. (D. Solomon, 2019) He mentioned the impact of internal controls on business performance, and the user of the audit result replied that the IA team's work assesses the effectiveness and sufficiency of controls in the company. Zelalem S. (2014) The organization conducts assessments to continuously enhance the efficiency of its regulating procedure.

H₃: Internal audit practices have significant effect on company performance of Ethio Telecom

The third hypothesis examined how ET's business performance is impacted by internal auditing processes. When one unit of internal auditing is implemented, the performance of the company increases by 0.083039. With a total mean of 3.78 and a standard deviation of 0.53.t value of 0.33, the predictive capacity of that coefficient is not very reliable, indicating a poor correlation between the independent and dependent variables. (2019, Solomon D.) The corporation stated that they are objective in their evaluation, assessment, and information collection, and he ends the audit practice. Additionally, they possess the abilities and background needed to carry out the audit process. (Bekele, 2019) the internal audit unit or department by enhancing organizational performance and adding value. In 2014, Zelalem S The internal auditors locate and appropriately address problem and delay areas. However, the company's internal auditor demonstration strategy is appalling.

H4: Implementation of Governance has significant effect on company performance of Ethio telecom.

The last hypothesis examined how internal auditing practices in governance impact ET's business success. Company performance increases by 0.494737 when governance increases by one unit. 3.9 overall, with a 0.63 standard deviation. With a T value of 2.2, we may be more confident that the coefficient is a good predictor of the strong association between the independent and dependent variables (allbusiness, 2022). For the internal audit function to improve governance, it must become more proficient (Abreham G/Georgis, 2011). According to research by Mihret et al. (2007), management support and internal audit quality have a significant impact on how effective internal audit is for public organizations.

4.4. THE FIVE ASSUMPTIONS OF CLASSICAL LINEAR REGRESSION

First assumption: $E(U_t) = 0$.

Variable	VIF	1/VIF
Riskmanage~t	2.26	0.441653
governance	2.08	0.481804
Internalco~l	1.91	0.523137
internalau~e	1.88	0.531976
Mean VIF	2.03	

Table 4.26 Stata output for co linearity statistics

The average value of the errors must be zero as the first presumption. This assumption was never broken if the regression equation contained a constant term. Assumption 1 will never be broken because the model regression equation in the above table has a constant term. In other words, because we have a constant term (0.819226), the result indicates that the regression residual average value is zero.

Secondly, $Var(U_t) = \sigma^2 < \infty$

For all values of x_t , the variance of the errors is constant and finite.

This is referred to as the assumption of homoscedasticity if the variance of the mistakes remains constant. Heteroscedastic mistakes are those whose variances do not have a constant variance.

Table 4.28 for assessing variance inconsistency

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity	
Ho: Constant variance	
Variables: fitted values	of Company performance
chi2(1)	= 1.89
Prob> chi2	= 0.1687

Therefore, assumption 2 is never broken and the null hypothesis is not rejected because there is no evidence that heteroscedasticity exists in the model regression equation on the above table. That is, because the P-Value is higher than 0.05, the result indicates that the regression residual variance is constant. **Assumption 3:** - $Cov(U_i, u_j) = 0$

The errors are linearly independent of one another

It is composed of the disturbance terms of the CLRM, where the covariance (or cross-sectional, depending on the kind of data) Zero exists between the error terms throughout time. In other words, the errors are assumed to be uncorrelated. If there is no correlation between the errors, they are referred to as "auto correlated" or "serially correlated." As a result, this assumption must be tested.

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	0.216537	Prob. F (4,21)	0.9263
Obs*R-squared	1.188343	Prob. Chi-Square (4)	0.8800

This Assumption no violated, B/c the p – value is insignificant we do not reject the null hypothesis. i.e. the result shows that the regression residual is no serial correlation up to order four since the P-Value is greater than 0.05

Assumption 4: -

$$\text{Cov}(u_t, x_t) = 0$$

There is no relationship between the error and corresponding x variates

Table 4.29 for testing relationship between the error and corresponding x

	Risk management process	Internal control system	Implementation of Governance	Internal audit practice	Company performance
Risk management process	1.0000	0.6678	0.6188	0.5493	0.6364
Internal control system	0.6678	1.0000	0.5103	0.5074	0.6068
Implementation of Governance	0.6188	0.5103	1.0000	0.6445	0.6878
Internal audit practice	0.5493	0.5074	0.6445	1.0000 1.0000	0.5487
Company performance	0.6364	0.6068	0.6878	0.5487	1.0000

Assumption 5:

The disturbances are distributed normally. Remember that the normality assumption ($u_t \sim N(0, \sigma^2)$) is necessary for doing either single or combination hypothesis tests for the model parameters. We used skewness and kurtosis to test for a normal distribution. The term "skew" refers to a distribution that is either symmetrical or cantered, or that is unbalanced and inclined to one side (either the left or the right). Skewness and Kurtosis are part of the basic descriptive statistics for a variable and can be found in all statistical tools. If the estimated values for these variables exceed a certain critical value, the distribution is considered non-normal. According to Joseph et al. (2014), the most referenced critical values are ± 1.96 at the 0.05 significance level and ± 2.58 at the 0.01 level. This test allows researchers to quickly evaluate how much the skewness and kurtosis deviate from a normal distribution. Table 4.30 presents the results of the normality test, indicating that the skewness and kurtosis values calculated using Stata software fall within the acceptable range of critical values. Therefore, this suggests that the data follow a normal distribution and are suitable for further analysis.

Table 4.30 for testing normally distributed

Variable	Skewness/Kurtosis tests for Normality				
	Obs	Pr(Skewness)	Pr(Kurtosis)	adj chi2(2)	joint Prob>chi2
Riskmanage~t	30	0.8886	0.0373	4.46	0.1077
Internalco~l	30	0.3100	0.5335	1.53	0.4660
governace	30	0.0357	0.0494	7.29	0.0261
internalau~e	30	0.0642	0.4343	4.21	0.1219
companyper~e	30	0.0470	0.2974	4.96	0.0835

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATION

5. CONCLUSIONS

For the study, both primary and secondary data were gathered. To collect primary data, the researcher developed two questionnaires: one for internal auditors to assess internal audit procedures, and another for managers, directors, and team leaders to look at how internal audit procedures affect company performance. The researcher also examines other documents to support the original facts. The researcher utilizes STATA and EVIEW software to assess the data using descriptive statistics after gathering relevant data.

Out of seventy surveys Sixty-four people answered the questions and returned them. Most of the respondents in our sample are men. This implies that a significant portion of the study's participants were guys. Furthermore, most respondents were between the ages of 30 and 39. master's and bachelor's degrees are the subject of study and credentials of your respondent. After accounting, most respondents had studied management, economics, and other courses. Only six of the participants hold certifications from short-term training programs including CIA, CISA, CGAP, and CRMA. This result indicates that our respondents had professional training and were highly educated. Each of them holds a bachelor's and master's degree in a different field. As a result, our respondents can comprehend the questioners with ease and provide accurate responses. The impact of internal auditing on business performance. The performance of the company increases by 0.083039 when internal auditing practices rise by one unit. Every year, IAD plans the risky title selection based on audits, often involving title changes or mergers. IAD created both ordinary (open-ended) and customized (closed-ended) questions based on the risk. this team (resource limitations, lack of certified officers, etc.). The business underwent a refinement process (unwillingness, auditor capability, lack of evidence, connected document). Lastly, hold an exit conference with the client and IAD. IAD meets with the board director every three months. Our respondents are largely in agreement that the organization has an audit committee. Their recommendations' shortcomings include not allocating all departments.

The Internal audit department **risk management practice effect on the company performance**, When risk management increase by 1 unit company performance increase by 0.305603. The organizations have ERM team aim this team by identify the risk make appropriate recommendation

the BOD. The internal department annually takes risk-based audit. From different source like ERM documents, history of risk register board directors and mind risk [interview]. All process internal audit department follow by internal audit charter. By selects investigation area takes Analysis and interpretation. The department assign a team [experience, competence and profession] assigning a team this limitation of resource, certified and enough number officer. The team planning and create methodology finally made a working paper and discuss the report and recommendation to the department. The team supervise the comment on the investigate department after 30-day action plan prepared closed the investigate register on recommendation books.

The performance of the business is impacted by the internal audit department's internal control procedures. The performance of the company increases by 0.328334 when internal control is increased by one unit. Based on a compliance audit with policy and procedure, IAD offers a reasonable guarantee that the organization will accomplish its goal with efficiency and effective operation while protecting an asset. The department has benchmarks and key performance indicators, and the IAD oversees their recommendations through action plans. The organization established a quality assurance and improvement program to help the internal audit department set up a system, a follow-up approach, and monitoring activities such engagement planning and supervision, standard working practices, and working paper procedures.

The performance of the business is impacted by internal auditing operations in governance. A one-unit increase in governance results in a 0.494737 rise in corporate performance. Every department has policies, procedures, and management and director responsibilities. In addition to ensuring effective performance management and accountability, the department assesses and suggests ways to improve the organization's ethics and values. It also controls information to the appropriate areas of the organization and enhances communication between management, internal and external auditors, and governance officials.

The governance department's internal auditing operations impact the performance of the business. The performance of the company increases by 0.494737 when governance is increased by one unit. Every department is responsible for its own policies, procedures, and manager and director assignments. Effective communication between those in charge of governance, external and internal auditors, and management, control of information to the right areas of the organization, and improvement of appropriate ethics and values within the organization are all made possible by

the department's assessment and recommendations. The agency conducts compliance audits to ascertain whether the audit is adhering to protocols or guidelines established by a higher authority.

5.1. RECOMMENDATION

The organizations have prepared development capacity trainings for internal auditor to judge professionally, and certify in short term training like CIA, CGAP, and CRMA and other. They team occurred limitation of resource [officer, finance and materials] for immediate response and investigation. So, the enterprise certified the internal audit teams of with enough number officers. By mitigate limitation of resource.

The internal audit charter allows the IAD to report on material facts in an unbiased and objective manner, which aids the business in achieving its goals regarding governance, control, and risk management procedures.

IAD Publish or prepare Annual newsletter on the selective report/recommendation and distribute all departments.

The business set up an audit committee to supervise the financial reporting procedure, the audit procedure, the internal control system, and adherence to legal and regulatory requirements. This committee can obtain information, oversee the process, and report on its performance at quarterly meetings. and write their report every year.

The IAD annually takes risk-based audit. From different source like ERM documents. So, the department interface/work together with ERM [enterprise risk management team], the main purposes of this team are by identified the company risk make recommendation to the top manager. Finally register on risk register book. This book input information for internal auditor for their investigation.

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Appendix 1: Questionnaire for Internal Auditor

Addis Ababa University
Department of Accounting and Finance
Master of Science in Accounting and Finance Program

Introduction

I am a student at Addis Ababa University pursuing a Master of Science in accounting and finance. As a requirement in fulfilment of this degree, I am carrying out the study on the Effect Of Risk-Based Auditing On Internal Control (Case Study On Ethio Telecom) You have been chosen to provide reliable information that will enable the study to achieve its objectives and any information given shall be treated as confidential and will be used purely for the purpose of this research. Your cooperation will be highly appreciated and thanks you in advance for your cooperation.

Thank you very much for your cooperation

Belete Gebru

Questionnaire to Internal Audit department (director, division managers and auditors).

Section A: Demographic information (please put “√” mark in the bracket)

- Sex/Gender/: Male (____), Female (____)
- Age in years: 20 to 29 (____), 30 to 39 (____), 40 to 49 (____), 50 to 59 (____), above 60 (____).
- Your field of study: Accounting (____), Management (____), Economics (____), Other specify _____
- Your level of professional qualification: TVET Certificate, (____), Diploma (____), bachelor’s degree (____), master’s degree (____), others specify (____).
- Professional certification: Certified in Internal Auditor (CIA), (____), Certified in Government Auditing Profession (CGAP), (____), Certified in Risk Management Assurance (CRMA) (____), others specify (_____).
- Work experience as internal auditor in years
0-3 years (____),4-7 years (____),8-12 years (____), 13 years and above (____),
- Work experience other than internal auditor in years
0-3 years (____),4-7 years (____),8-12 years (____), 13 years and above (____),
- Your current position in the enterprise.....

Section B: Internal audit practices of the ET

The questionnaire is prepared in Likert-scale form with five-point scales. Please put “√” mark relating to internal audit department practices of your company in the following areas. The values of scales are: 5 = strongly agree; 4= agree; 3= undecided; 2= disagree; and 1= strongly disagree.

S.NO	Description	5	4	3	2	1
1. Independence						
1	Internal audit department being able to report on material facts and figures, uninfluenced by any Favor					
2	Internal audit department express their opinions/ perform the audit activity without any threat their position.					

3	Internal audit department investigate any miss statement independently					
2. Objectivity;						
4	Internal audit department investigate any statement with proper evidence					
5	Internal audit department investigate any statement professional objectivity in gathering, evaluating and communication information					
6	The auditor's report on company financial statements is expressed in terms of truth and fairness. {Are factual, are free from bias and reflect the commercial substance of the business's transactions					
3. Provides added value to improve the organization;						
7	Continuously evaluate and monitor marketing and advertising investments/Evaluate and improve human capital requirements					
8	create a culture of operational efficiency and continuous improvement/ORGANIZATIONAL ALIGNMENT					
9	Continuously identify and mitigate evolving risks/Talented, motivated staff members are easily bored and require challenging work					
4. helps the organization achieve its objectives;						
10	Internal audit department bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.					
11	Internal audit department examination; - evaluation; - monitoring the adequacy and effectiveness of internal control.					

12	Internal audit department independent and objective assurance and consulting services designed to add value and improve the organization’s operations.					
5. Effectiveness and efficiency ;						
13	Level of contribution to the improvement of risk management, control, and governance processes.					
14	Improvement in staff productivity, Increase in efficiency of the audit process					
15	Quality assurance techniques developed and internal audit activity’s quality improvement programs.					
6. The relationship with the audit committee						
16	In your company have audit committee	Yes			No	
17	the audit committee monitor and review the works and work effectively with internal auditors					
18	audit committee review and assess the annual internal audit work plan; receive a report on the result of the internal audit work on a periodic basis					
19	The audit committee evaluating the performance of the internal audit function on a regular basis					
7. Quality assurance and Improvement program						
20	The internal audit department establishes a system, a follow up process, monitoring activities including engagement planning and supervision, standard working practices, working paper procedures and signoffs, and report reviews.					

21	Internal audit department have Periodic self-assessments focus on evaluating the quality of the audit work, supervision, policies and procedures add value to the organization.					
22	External assessments conducted at least once every five years by an independent assessor or assessment team from outside the organization that is qualified in the practice of internal auditing					
8. Communicate the engagement results						
23	Internal auditors of the enterprise communicate the engagement results that include objectives, scope, conclusions, and recommendations to internal audit director.					
24	The audit report that is communicated to concerned bodies is accurate (free from errors), clear (easily understandable), and complete.					
25	Internal audit department perform exit conference with audited department/sector regarding the audit engagements.					
The internal audit charter						
26	Internal audit department the rights of access to information budgetary information and a formal statement of the internal audit function					
27	Internal audit department authorize access to records, personnel, and physical properties relevant to the performance					
28	Internal audit department providing independent assessments of the adequacy and effectiveness of governance, risk management, and control processes.					

Appendix 2: Questionnaire for Management members

Addis Ababa University
Department of Accounting and Finance
Master of Science in Accounting and Finance Program

Introduction

I am a student at Addis Ababa University pursuing a Master of Science in accounting and finance. As a requirement in fulfilment of this degree, I am carrying out the study on the “Effect Of Risk-Based Auditing On Internal Control (Case Study On Ethio Telecom) You have been chosen to provide reliable information that will enable the study to achieve its objectives and any information given shall be treated as confidential and will be used purely for the purpose of this research. Your cooperation will be highly appreciated and thanks you in advance for your cooperation.

Thank you very much for your cooperation

Belete Gebru

Questionnaire to Department directors, division managers and team leaders of the Ethio telecom

Section A: Demographic information (please put “√” mark in the bracket)

1. Sex/Gender/: Male (____), Female (____)
2. Age in years: 18 to 29 (____), 30 to 39 (____), 40 to 49 (____), 50 to 59 (____), above 60 (____)
3. Your field of study: Accounting (____), Management (____), Economics (____), Other specify _____
4. Your level of professional qualification: TVET Certificate, (____), Diploma (____), Bachelor’s degree (____), master’s degree (____), PHD and Above (_____)
5. Your current position in the enterprise: Department director (____), Division Manager (____), Team leader (____), Chief accountant (____).
6. The department you are working _____

Section B: Internal audit activities contribution to enterprise performance.

The questionnaire is prepared in Likert-scale form with five-point scales. Please put “√” mark relating to internal audit activities contribution to company performance in the following areas. The values of scales are: **5 = strongly agree; 4= agree; 3= undecided; 2= disagree; and 1= strongly disagree.**

S. N O	Description	5	4	3	2	1
	Risk management process					
1.	Internal audit department activity evaluates the effectiveness and contributes to the improvement of risk management processes.					

2.	The internal audit departments Ensuring Safeguarding of assets; and Compliance with laws, regulations, policies, procedures, and contracts when evaluate risk exposures					
3.	When identify risk exposures relating to the organization’s governance, operations, have an access Reliability and integrity of financial and operational information					
4.	The internal audit departments implement strategies when evaluate risk exposures respect of business risks operate					
5.	The internal audit departments Ensuring the company's risk management system by giving appropriate risk responses or suggest appropriate risk management strategies in a timely and appropriate manner.					
6.	The analysis, review, reporting, research, recognition and assessment of risks within the framework of the basis set by the organization senior management and the risk management group together and approved by the board of directors.					
	Internal control systems.					
7.	Obtaining an understanding of the entity and its environment, including the entity’s internal control,					
8.	Reasonable assurance about the achievement of the entity's objectives regarding reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.					

9.	Safeguard resources and ensure the adequacy of records and systems of accountability.					
10	The auditor shall obtain an understanding of the information system relevant to financial reporting objectives.					
11	understanding of control activities relevant to the audit and how the entity has responded to risks with policies and procedures that help ensure that management directives					
12	The entity uses to monitor internal control over financial reporting, including those related to control activities relevant to the audit, internal control performance over time. taking necessary corrective actions					
	Implementation of Governance					
13	assess and make appropriate recommendations for improving promoting appropriate ethics and values within the organization					
14	assess and make appropriate recommendations for improving ensuring effective organizational performance management and accountability, communicating risks					
15	Assess and make appropriate recommendations for improving and Control information to appropriate areas of the organization and effectiveness of communication among those charged with governance, external and internal auditors and managements.					

S. N O	Description	5	4	3	2	1
INTERNAL AUDIT PRACITES						
16	knowledge and skills required of an internal audit function to understand and perform procedures to provide assurance					
17	Internal audit is an independent, appraisal activity within an organization for the review of accounting, financial and other operations					
18	evaluating the operating effectiveness and systems relevant to financial instrument control activities, financial instrument activities.					
19	Assessing whether new risks relating to financial instruments are identified, assessed managed and give appropriate suggestion					
20	Internal audit can be involved in many different assignments as directed by management					

Company Performance						
21	Internal audit department of the enterprise is effective in risk identification and analysis as well as giving appropriate risk recommendation. So that the department has a contribution in company performance.					
22	By reviewing each & every system and giving appropriate audit recommendations, the enterprise can prevent and detect each system drawback and provide appropriate					

	remedies for the problem that the enterprise encountered. Thus, enterprise system is improved, and company performance is increased.					
23	Internal audit department of the enterprise perform different types of audit services like financial audit, system and performance audit. And it is done independently and objectively by qualified, experienced & competent internal auditors. So that the corporate governance & company performance of the enterprise is increased.					

Appendix 3: Document review guidelines

Activity	Purpose
Review the ET internal audit policy and charter.	To collect information relevant to IAD duties and responsibilities and to compare the quantitative data obtained through questionnaires.
Review audit reports and other relevant documents issued by in internal audit department such as internal audit plans, programs and other working papers	To collect information about the number and types of audits released by IAD. And, to examine the IAD audit plan and its working papers.