

**COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF PUBLIC ADMINISTRATION &
DEVELOPMENT MANAGEMENT**



***Assessing Factors that Influence Internal Audit
Effectiveness in the Commercial Banking Sector
The case of Commercial Bank of Ethiopia***

By

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**ASSESSING FACTORS THAT INFLUENCE INTERNAL AUDIT
EFFECTIVENESS IN THE COMMERCIAL BANKING SECTOR:
THE CASE OF COMMERCIAL BANK OF ETHIOPIA**

BY

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**May 2019
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DECLARATION

I hereby declare that this work entitled “**Factors influencing effectiveness of internal audit in the Commercial Banking Sector the case of Commercial Bank of Ethiopia.**” is my own work and that, to the best of my knowledge and belief, it contains no material previously published or written by another person nor material which has been accepted for the award of any other degree or diploma of the university or other institute of higher learning, except where due acknowledgment has been made in the text.

By Melkamsew Kedami

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Date _____

Advisor’s Approval

This Research Project paper has been submitted for examination with my approval as a University advisor.

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CERTIFICATION

This is to certify that the Research Project Paper prepared By Melkamsew Kedami Tsega, entitled Assessing factors that influence internal Audit effectiveness in the Commercial Banking sector the case of Commercial Bank of Ethiopia is submitted in partial fulfillment of the requirements for the degree of Masters in Public Management and Policy with the regulations of the University and meets the accepted standards with respect to originality and quality.

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Abstract

Generally, internal audit has become an essential management tool for achieving effective control in an organization. The main purpose of this study is to identify the factors that influence internal audit effectiveness in the Commercial Bank of Ethiopia (management support, management's perception of internal audit values, organizational independence of internal auditors, placement of adequate and competent internal audit staff, and the presence of approved internal audit charter) and to show the influences of the same on the effectiveness of internal audit activities. To address this purpose, the study required to answer the research question: To what extent these factors influence effectiveness of internal audit and which of them is the most important for internal audit effectiveness. The study adopted quantitative research methods and internal auditors of the CBE are the source for the required data to the researcher through the questionnaires administered and analyzed using SPSS. Census method was used to conduct the research.

According to the research finding Organizational independence, the management support and management perceptions of internal Audit value highly affect the internal audit effectiveness. Whereas, availability of adequate and competent internal audit staff and the presence of approved internal audit charter were not significant impact on the effectiveness of internal audit. All of these five independent variables are making 85 % of the contributions for internal audit effectiveness. The Commercial Bank of Ethiopia should understand that the contributions of these variables were collectively significant to identify any noncompliance activities in their office and to add values for the IAE.

Keywords: *Internal Audit, management Support and Perception, independence, competence,*

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ACRONYMS

ACCA	Association of Chartered Certified Accountants
ACIAS	Adequate and Competent Internal Audit Staff
AIAC	Approved Internal Audit Charter
CBE	Commercial Bank of Ethiopia
CFE	Certified fraud examiner
CIA	Certified internal audit
CIAS	Competent Internal Audit Staff
CISA	Certified information system audit
IA	Internal Audit
IAE	Internal Audit Effectiveness
IAF	Internal Audit Function
IAS	Internal Audit Sector
IIA	Institute of Internal Audit
IPPFW	International Professional Practice Framework
IT	Information technology
MOF	Ministry of Finance
SPSS	Statistical Package for Social Science

CHAPTER ONE

1. INTRODUCTION

1.1. Background of the Study

A system of effective internal control, risk management and governance is a critical component of an organization's management and it is a foundation for the safe and sound operation of banking organizations. (CBE internal audit guideline)

In Every country that is administered in a democratic policy needs to be accountable in its use of public money and in providing effective, efficient and economical (3e's) service delivery. To achieve those government objectives applying internal audit function were the major mechanism for controlling and using of all scarce resources available in the corporate organization. Ever more larger and complex systems require greater competitiveness, thus internal audit has had to become ever more professional (Cecilia Nordin Van Gansberghe, 2003).

The control environment is the foundation on which an effective system of internal control is built and operated in an organization that strives to (1) achieve its strategic objectives, (2) provide reliable financial reporting to internal and external stakeholders, (3) operate its business efficiently and effectively, (4) comply with all applicable laws and regulations, and (5) safeguard its assets. (IPPFW, 2013).

In addition, the development in internal audit profession brings change in the scope and functions of internal audit customers. Previously internal auditors were seen just as an assistant of accountant's and an external auditor but recently internal audit is certainly is considered an independent profession, which is playing a significant role in the management of organizations. Besides, independent of internal auditors have always been a sensitive issue while he/she is the employees of the organization, above all, not clearly organized structure or reporting line make the problem more complicated in such offices (Rolandas Rupsys, 2005).

The public sector provide services such as banking service, financing, education, communication service, healthcare, police, transportation, electric services, security and so on, which benefit all of the society and encourage equal opportunity to benefit from those services provided (Mihret and Yismaw, 2007). From the banking service CBE is one of them and this research focused on the factors that influence Internal Audit Effectiveness in the commercial Bank of Ethiopia.

Mostly, the efficiency and effectiveness of the management operations in the organization are ensured by the effectiveness of its employees.

Internal auditors which are the focus of this study and also the key employee of the organization are expected to work independently and objectively to enhance high quality of services, achieve good internal control system, avoid corruption, ensure good corporate governance system, promote accountability and greater transparency (Coram et al, 2008; Van Peurse 2005; Belay, 2007).

Therefore, it is important to have effective internal audit unit as part of modern governance system in the organization. In corporate governance internal audit (IA) issue has received increasing attention in recent years, due to different reasons. To mention some of them, internal audit links to the internal control-risk management system; improve organizational efficiency and effectiveness through providing constructive criticism and recommendations about organizations status; reduce information asymmetry during decision making; serves as an important internal assurance in the business and financial reporting process of corporations (Soh and Bennie, 2011; Cohen and Sayag, 2010; Mihret and Yismaw, 2007).

Moreover, the new Institute of Internal Audit's (IIA, 2001), board of directors defined internal audit as: An independent, objective assurance and consulting activity designed to add and improve an organization's operations. It helps an organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

These definitions give us a broad clue about importance and contribution of internal audit functions in the organizations. For example, internal auditing is involved in consulting activities, and value added contributions for the evaluation and improvement of the effectiveness of risk management and governance process (IIA, 2001). This shows the roles of internal auditing is moving away from the narrow scope of measuring and evaluating the effectiveness of internal controls towards a broader scope of activities that creates opportunities for the internal auditing profession and to receive more attention in corporate governances.

Even though, the internal auditors have many roles and contributions to the organization and the public interest, it also faces many challenges from the organization they work. Some of the challenges identified by the Ministry of Finance and Economic Development (2004), in their internal audit manual are lack of management respect, lack of independence, assigned of internal

auditors to many tasks and being ignored (conflict of interest) and lack of professional development.

In addition, Mihret and Yismaw, (2007) in their case study on Ethiopian public Universities, they argue that internal audit recommendations are not afforded enough management attention and support which adversely affect the effectiveness of internal audit. Moreover, lack of mechanisms in place to follow up the implementation of internal audit recommendations; absence of strategic plan and consistent documentation styles for audit work, lack of resources, poor leadership for internal audit function (IAF), absence of appropriate framework to measure IAF performance, and lack of competent personnel are also some challenges of internal auditors (Mihret and Yismaw, 2007; belay, 2007).

Considering this, the objective of this study is to investigate the factors that influence internal audit effectiveness in Commercial Bank of Ethiopia.

1.2 Statement of the Problem

Many organizations are showing concerned to their internal auditors in order to give guidance and advice at different levels of management (Davies, 2001). This is because, the internal audit plays an important role in the organizational process, and therefore it is not only required to perform ordinary assurance activities, but also to serve as a strategic partner of the organization and add value to its activities towards improving organizational processes and ensuring their effectiveness and efficiency (Mihret, 2007). Hence, an effective internal auditor is the ones who assist an organization in meeting its objectives (Badara & Sadin, 2013).

An appropriate skills set not only allows internal auditors a better understanding of what adds greater value to the company, but also increases their credibility, trust and respect towards them, which contributes to the effectiveness of the Internal Audit function (Ramamoorti, 2003) An empirical research in Nigeria found that auditing in the local governments is ineffective because of lack of independence of the internal auditors (Kuta, 2008). On the other hand, some empirical research showed that the support of management is almost crucial to the operation and success of internal audit. And other factors of internal audit effectiveness derive from support of top management. (Cohen & Sayag, 2010).

So far some few scholars Hailemariam (2014); Cohen & Sayag, (2010); Arena and Azzone, (2009); Mihret and Yismaw (2007) conduct the research on the determinants of internal audit effectiveness on the Public sectors, which is done for organization or by considering all public sectors. On their study they reveals that that internal audit effectiveness is strongly influenced by internal audit quality and management support, whereas organizational setting and audit attributes do not have a strong impact on internal audit effectiveness in Ethiopia public sectors. Cohen & Sayag, (2010) on their study showed that the support of management is almost crucial to the operation and success of internal audit. And the other factors of internal audit effectiveness derive from support of top management.

The study was focusing on assessing the factors that influence effectiveness of internal audit process in the Commercial Bank of Ethiopia. The banking industry especially Commercial Bank of Ethiopia is the back bone of the country economy. It is exposed to different risks since its operation is mostly related to the most sensitive asset particularly cash area.

The Commercial Bank of Ethiopia has lost more than seven million Br to a bank fraud perpetrated at its headquarters, the Birr was transferred from the bank into the account of a shell company called GBC Construction Plc. Bank frauds following same pattern and design have been repeatedly committed in the past year. In March 2016, 19 million Br was transferred from the Ethiopian Shipping Lines & Logistics Services Enterprise's (ESLSE) account at the Commercial Bank of Ethiopia to the account of a fake company called Welka Plc. A total of 11 employees working for the Commercial Bank of Ethiopia (CBE) Northern District, in the *BerhanenaSelam* Branch, have been implicated in a fraud case involving 27.8 million birr which they have withdrawn from various accounts and transferred to a dummy company account number. This show that there is problem of strong internal audit in the bank. Unlike this reality as per the knowledge of the researcher the issue of IA in Commercial Bank of Ethiopia could not get attention as expected. And also, to the best of my knowledge, until now, no empirical research on factors that influence on internal audit's effectiveness has been conducted within Commercial Bank of Ethiopia. The limited studies conducted on Ethiopian perspective focused more on public sector without considering the Commercial Bank of Ethiopia.

Considering the above facts, and industry is the back bone of the country economy, identifying factors which affecting internal audit effectiveness is essential for organizational success, and

protect and effective utilization of public money and to safeguard the asset specially cash. Therefore, the researcher was attempt to identify the factors that influence internal audit effectiveness in CBE. Specifically, how management support, management's perception of Internal Audit values, the independence of internal audit team (organizational independence), adequate internal audit staff, competent internal audit staff, and presence of approved internal audit charter influence the effectiveness of internal audit were examine and answer from the perception of the internal auditors.

Besides, this study's purposes are to examine the influence of the mentioned factors on the internal audit effectiveness. Our study differs from others in; (i) providing empirical evidence regarding the influence of the mentioned factors which has not been researched before in CBE. (ii) presenting an argument(reason) on the influence of the mentioned factors on the internal audit effectiveness based on the respondents' samples; and (iii) being the first that examines this influence in the Commercial Bank of Ethiopia.

The research is intended to fill the gap identified in some researchers done by some few scholars so far literatures (Haile Mariam, 2014; Cohen & Sayag, 2010; Arena and Azzone, 2009; Mihret and Yismaw, 2007). These studies were done for Mass organizations (all public sectors) just by taking the title; determinants of internal audit effectiveness on the Public sectors. But, the researcher believes that the recommendations given and conclusions remarked by them were a bit „hasty generalizations“. The researcher confirms that absence of empirical study on the case organization selected, Commercial Bank of Ethiopia, particularly in the audit area is the actual gap identified which necessitated the research. This article is an attempt to fill this literature gap and provides an important evidence regarding the influence of mentioned factors on the effectiveness of internal audit in Commercial Bank of Ethiopia. Our results present the role of these factor in improving and enhancing the internal audit effectiveness.

1.3. Research Questions

Q1. To What extent the management of CBE support the IAs to enhance the IAE

Q3: What effect does Management's perception of internal audit value has on IAE

Q2. To what extent the independence of internal auditors (organizational independence of internal audit team) affect internal audit effectiveness?

Q4. To what extent the adequacy of internal audit staff and competency of internal auditors affect IA effectiveness?

Q5: To what extent the presence of approved internal audit charter affect the effectiveness of internal audit in commercial bank of Ethiopia?

1.4. Objective of the Study

1.4.1 General objective

The general objective of the study is to assess the factors that influence internal audit effectiveness in commercial Bank of Ethiopia from the perception of internal auditors.

1.4.2 Specific Objectives

The specific objectives of the study are:

- To examine the contributions of management support for IAE in the Commercial Bank of Ethiopia.
- To examine the contributions of the independence internal auditors for IAE in Commercial Bank of Ethiopia
- To examine the contributions of management's perception of internal audit values for IAE in the Commercial Bank of Ethiopia.
- To examine the contributions of adequate and competent internal audit staff for IAE in Commercial Bank of Ethiopia
- To examine the contributions of the presence of approved internal audit charter for IAE in the Commercial Bank of Ethiopia

1.5 Significance of the Study

The internal auditors have a significant impact to control any non-compliance activity in line with the established policies, procedures, laws and regulations, set by the Bank & government organ which could have a significant impact on the Bank's operations and public money at large. The internal auditors are also essential to create or add value to the bank, to avoid failure and to save the operating and administration costs in accordance with the bank's policies and procedures.

Therefore, the results of this study are expected to be significant to various aspects. It helps to show the effectiveness of the internal auditor's activity by assessing the factors that influence the internal audit effectiveness. In addition this research is important for the empirical evidences for Commercial Bank of Ethiopia contributes to the determinants of internal audit effectiveness that will enable the commercial bank of Ethiopia managements to correct the operational problem faced. More over the findings of the study will support to identify gaps in the systems of internal control in the commercial bank of Ethiopia and examine their policies and procedures, and for the future researchers also important to develop a conceptual literature development.

1.6 Scope of the Study

The study, focus on the factors that influence internal audit effectiveness in Commercial Bank of Ethiopia. The relevant dimensions selected in particular for this study were limited to such factors; management support, management's perception of IA's value, organizational independence of internal auditor, availability of adequate and competent internal audit staff, and the presence of approved internal audit charter in the Commercial Bank of Ethiopia. The target groups of the population were the internal audit team/staff which is re-structured as corporate Audit and Branch Audit (the year 2018) and IT Audit is as it is.

1.7. Limitation of the Study

The major limitation was encountered during the process of data collection, due to their audit engagement far from the office, some of respondents do not offer as per the researcher expected time and due to time constraint, the study limited only Commercial Bank of Ethiopia, the other banks are not included in the study and also a measure of the variables, both the dependent and independent variable, is established according to the perceptions of internal auditors.

1.8. Organization of the Study

The study consists of five chapters. The first chapter includes Introduction, statement of the problem, research questions, and objective of the study, significance of the study and scope and limitation of the study. The second chapter describes review of related literature (theoretical and empirical) related to the internal audit effectiveness. Chapter three deal with the method of the study. The forth chapter describes overall findings of the study. It deals with presentation analysis and interpretation of data, discussion of the research result. And finally the last chapter present summary of Major findings, Conclusion and recommendation.

CHAPTER TWO

2. RELATED LITERATURE REVIEW

2.1 Introduction

Building the organization or company is imperative for the existence and survival of modern organizations. As of date, the internal audit function has grown in its importance, partly because it helps the management to compensate for the loss of control as a result of increase in organization complexity, but most importantly it helps management to detect and manage risks which is a crucial part of corporate governance process.

Audit is the examination or inspection of various books of accounts by an auditor followed by physical checking of inventory to make sure that all departments are following documented system of recording transactions. It is done to ascertain the accuracy of financial statements provided by the organization. Audit can be done internally by employees or heads of a particular department and externally by an outside firm or an independent auditor. The idea is to check and verify the accounts by an independent authority to ensure that all books of accounts are done in a fair manner and there is no misrepresentation or fraud that is being conducted.

2.2 Theoretical review

In this section it presents theoretical review of relating to internal audit such as internal auditing, Core Principle for an effective IA, Objective of IA, the types of audit performed by IA, Effectiveness of IA and IAE framework.

2.2.1 Internal Audit

A simple and more traditional meaning of internal auditing is defined as: an independent appraisal function established within an organization to examine and evaluate its activities as a service to the organization.

Later on, the new Institute of Internal Audit (IIA, 2001), defined internal audit as:

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

This definition signifies that internal audit has undergone a paradigm shift from an emphasis on accountability about the past to improving future outcomes to help auditees operate more effectively and efficiently.

According to this definition the major scope of the internal auditors are making assurance to the organization and giving consultant services to the overall managements of the corporate governance. By providing the independent opinion and conclusions regarding the operation, function, system and wellbeing of the organization the IA can provide assurance services; and by giving the advisory service based on the specified requests of an engagement client the internal auditor can give the consulting service to the organization.

Internal auditing is a systematic, objective appraisal by internal auditors of the diverse operations and controls within an organization to determine whether (1) financial and operating information is accurate and reliable (2) risks to the enterprise are identified and minimized, (3) external regulations and acceptable internal policies and procedures are followed (4) satisfactory operating criteria are met, (5) resource are used efficiently and economically and (6) the organization's objective are effectively achieved all for the purpose of consulting with management and for assisting members of the organization in the effective discharge of their governance responsibilities.

The definition provided by IPPF includes three stronger areas which were defined as internal auditing separately in earlier studies. First, IA can be defined as value addition to the organizations instead of being a mere administrative function or legal compliance that keeps organizations going (Flesher & Zanzig, 2000). In the ever changing business environment, internal auditing has a role by adding value to the organization in which engaged. Second, Nagy & Cenker, (2002) link internal auditing to governance process, risk management, and organizations control. This is important as it embraces the expanding role of IA, which in recent years has evolved from an arrow focus on control to include risk management and corporate governance. Third, IA definition takes into account organizational trends and concentrates on a consultative approach within which an organization operates dealing with efficiency and effectiveness rather than accuracy of recording (Karapetrovic & Willborn, 2000).

IA activity plays a crucial role within an organization. IA activity helped an organization by evaluating the risks whether they are under control or worth taking. In addition of this, IA can protect an organization from the appearance of a risk and assure good things can happen (Al-

Twaijry, et al., 2003). Today, the modern internal auditor seeks to add value by laying emphasis on improving procedures and policies through reduced costs, increased bottom line and better services to users (Staciokas & Rupsys, 2005). As a result, senior management and the board increased their reliance on the IA to improve the organization's operation and to systematically evaluate the management or organizational risks, controls and governance processes which are essential factors in the achievement of objectives (Gupta, 2001).

To create a strong corporate organization IA plays a critical role in governance and operation of the organization (Changwony & Rotich, 2015). In addition of this, during statutory audit, it reduces the time spent by external auditors (Goodwin-Stewart & Kent, 2006; Al-Twaijry, et al., 2004; Haron, et al., 2004). It is mandatory to enhance the quality of IA activities and processes (Ramachandran, et al., 2012). Because, external auditors are likely to rely more on internal auditors report (Ward & Robertson, 1980; Goodwin-Stewart & Kent, 2006).

Internal audit are the mechanism through which information about the effectiveness of the quality system is gathered by auditors selected from within the company but, who are independence of the area, function or procedures being audited. Or the Internal Audit Function (IAF) is the mechanism through which the operation of the quality management system is formally monitored and in accordance with the documented quality system is assured (MOF, 2004).

The Statement on Auditing Practice (SAP-6) of the Institute of Chartered Accountants of India describes internal audit as “the plan of organization and all the methods and procedures adopted by the management of an entity to assist in achieving management's objective of insuring, as far as possible, the orderly and efficient conduct of its business, including adherence to management policies, the safeguarding of assets, prevention and detection of fraud and error, the accuracy and completeness of accounting records and timely preparation of reliable financial information.

On the other hand, internal audit is a critical appraisal of functioning of various operations of an enterprise including the functioning of the system of internal check. Exceptions from normal functioning of internal check system are exposed in internal audit. Accuracy, completeness, reliability and timeliness of accounting information are tested and reported for remedial action. Non-accounting areas with the operational side of enterprise are critically studied, analyzed and weakness of the system or practice with inefficiency, wastage and frauds are brought to the

notice of the management. Suggestions for increasing the effectiveness of the system, for improving the

Productivity and profitability of business practices are offered. Internal audit is the independent appraisal of activity within an organization for the review of accounting, financial and other business practices as a protective and constructive arm of management. It is a type of control which functions by measuring and evaluating the effectiveness of other types of control (B.N. Tandon *14th edition, p.112-15*).

Professor Walter B. Meigs of America says internal auditing consists of a continuous, critical review of financial and operating activities by a staff of auditors functioning as full time salaried employees. Internal audit implies an audit of the accounts by the employees of the business. The work is done by a separate set of staff that may or may not have professional audit qualifications. The function of an internal auditor is practically the same as that of an auditor. In addition to that an internal audit has to see that there is no wastage and the business is carried on efficiently and effectively. Again if an internal auditor finds that as a result of the inefficiency of the management, the management the concern has suffered a loss, it is his duty to report the fact. The IA has to be reported to the management whether the policy and plans of activities prescribed by them have been implemented, whether the internal controls and checks established were adequate, whether the actual results obtained were varying from the estimates, etc. to enable the management to achieve the objective of the company in the planned manner.

2.2.2. Objectives of Internal Auditing

- To verify mainly the accuracy, the integrity and reliability of the financial records.
- To ascertain whether the organization adheres to the standard accounting practice and the properly established method of accounting.
- To protect the assets against losses of any kind and to examine their use and to ensure their accounting.
- To prevent and detect fraud and errors
- To analyze the existing system of internal control and suggest improvement in this system
- To take up an investigation at special request of the management
- To detect and correct inefficient operational and weak points. Based on this, to recommend change in the control system.

2.2.3. Core Principles for an effective Internal Audit

In order for an effective audit to be conducted by the Internal Audit function in an organization the Institute of Internal Auditors (IIA), has published core principles in the article '*Core Principles for the Professional Practice of Internal Auditing*' which if followed, should articulate Internal Audit effectiveness.

Principles are different from rules. They can be adjusted and used broadly over numerous circumstances, but they must be adhered to. How an internal auditor, as well as an internal audit activity, demonstrates achievement of the Core Principles may be quite different from organization to organization, but failure to achieve any of the Principles would imply that an internal audit activity was not as effective as it could be in achieving internal audit's mission.

What are these '*Core principles*'? The IIA article outlines the ten principles in this order:

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

Each Internal Audit department has its own mission statement, customized to its organization and charter. And these principles have been given or rather identified in order to provide guidance to the Internal Audit department when they customize their charter.

2.2.4 Types of Audits Performed by Internal Auditors

Depending on the audit objective the Internal Audit conducts different types of audits. A variety of audits performed in the review of campus programs and resources include:-

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

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

Compliance Audits: Examining conformity and adherence to policies, procedures, laws, regulations, contracts, and other requirements.

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

Internal Control Reviews: These audits focus on the components of the major business activities, such as payroll and benefits, cash handling, inventory and equipment, physical security, grants and contracts, and financial reporting. (CBE-Internal Audit guideline)

2.2.5 Internal Audit in Commercial Banking Sector

IA significance increased as a consequence of corporate failure which started around the end of 20th century (Moeller, 2004; Swinkels, 2012; Gamage, et al., 2014). This corporate failure was also similar in commercial banking industry. The main reason for failure of CBs in different countries (for instance Kenya and Nigeria) was lack of effectiveness in their audit function. Consequently, the experiences of such a failure have called for the transformation and strength of IA in those nations (Okafor & IBadin, 2009; Changwony & Rotich, 2015). This becomes relevant; given the fact that effective IAD is critical for the survival of strong CBs.

Commercial banking sector provides different kinds of services to the customers with acquiring large amount of funds (Tandon, et al., 2010). So as to that, it is a backbone for the economy of the country in which engaged (Keatinge, 2014). Due to these facts the effectiveness of IA in CBs cannot be undermined. Effectiveness of IA would have a positive consequence on safe and sound banking system in CBs (Gamage, et al., 2014). This will help to safeguard the resources of CBs, to produce reliable financial reports, and to comply with laws and regulations (Gamage, et al., 2014). Hence, it increases the performance of IAD and the organization as a whole (Tandon, et al., 2010; Gamage, et al., 2014).

2.2.6. Mission Statement of internal Audit in CBE

CBE's Internal Audit shall provide an independent, objective assurance and consulting services to the Bank's Board of Directors and Management on the efficiency and effectiveness of risk management, internal control and governance processes in the CBE.

2.2.7. Objectives of Internal Auditing in the CBE

The primary objective of the Internal Audit is to provide independent and objective assurance on whether the:

- i. The Bank's assets and other resources are properly accounted for and safeguarded;
- ii. Financial, operating, accounting and other data generated by the Bank and/or used for management purposes are accurate and reliable;
- iii. Integrity, reliability, confidentiality and the continuous availability of information system is secured;
- iv. Internal control, risk management and governance processes are effective and efficient;
- v. Operational and other activities of the Bank are performed efficiently and effectively;
- vi. Internal policies and procedures, laws and regulations pertinent to the Bank are sufficiently complied with;
- vii. Established objectives and goals for operations are accomplished.(CBE Internal Audit Charter)

The Commercial Bank of Ethiopia has established an independent Internal Audit Process, which is functionally accountable to the Board of Management and administratively to the President. (CBE internal Audit guideline)

2.2.8 Internal Audit Effectiveness

Transparency, public accountability, responsiveness, and effectiveness are the four good governance characteristics (Belay, 2007).

Different authors were defined the term “effectiveness” as follows; for instance, Arena and Azzone (2009) defined effectiveness as “the capacity to obtain results that are consistent with targets”. Dittenhofer (2001) “Effectiveness is the achievement of internal auditing goals and objectives using the factor measures provided for determining such factors” and The effectiveness of internal audit greatly contributes to the effectiveness of each auditee in particular and the organization at large . In Mihret and Yismaw, (2007) internal audit effectiveness is defined as “the extent to which an internal audit office meets its supposed objective or the extent to which it meets the intended outcome”. Effectiveness can also be defined as the ability of an organization to account successfully for its output and operations to its various internal and external constituencies (Gregory & Ramnaravan, 1983). In addition of this, IA is effective when it provides the required service expected from the activity (Arena & Azzone, 2009; Mihret & Yismaw, 2007). According to Karapetrovic & Willborn, (2000) effectiveness in audit is a composite matter involving the capability of the auditor to carry out an audit free of errors, readiness to function when needed, and identify suitable set of objectives.

IA has an important role in helping a firm to achieve its objective when it is implemented, operated, and managed effectively (Changwony & Rotich, 2015; Mihret & Yismaw, 2007; Arena & Azzone, 2009). The backbone of organization’s strength in general and each auditee in particular is contributed from the effectiveness of IA (Ditternhofer, 2001). Organizations which effectively implemented, operated and managed internal auditing were better able to identify their business risks and system inefficiencies for the sake of taking corrective actions and improvement in the process (Changwony & Rotich, 2015).

All the authors defined effectiveness in terms of achieving the IA goals and objectives, though interpreted in different ways. Mihret and Yismaw (2007) described the characteristics of effective internal audit unit from the internal audit point of view. Effective Internal Audit (IA):

- Undertakes an independent evaluation of financial and operating systems and procedures;
- Contributes to the achievement of organizational goals;
- Needs management’s commitment to implement recommendations;

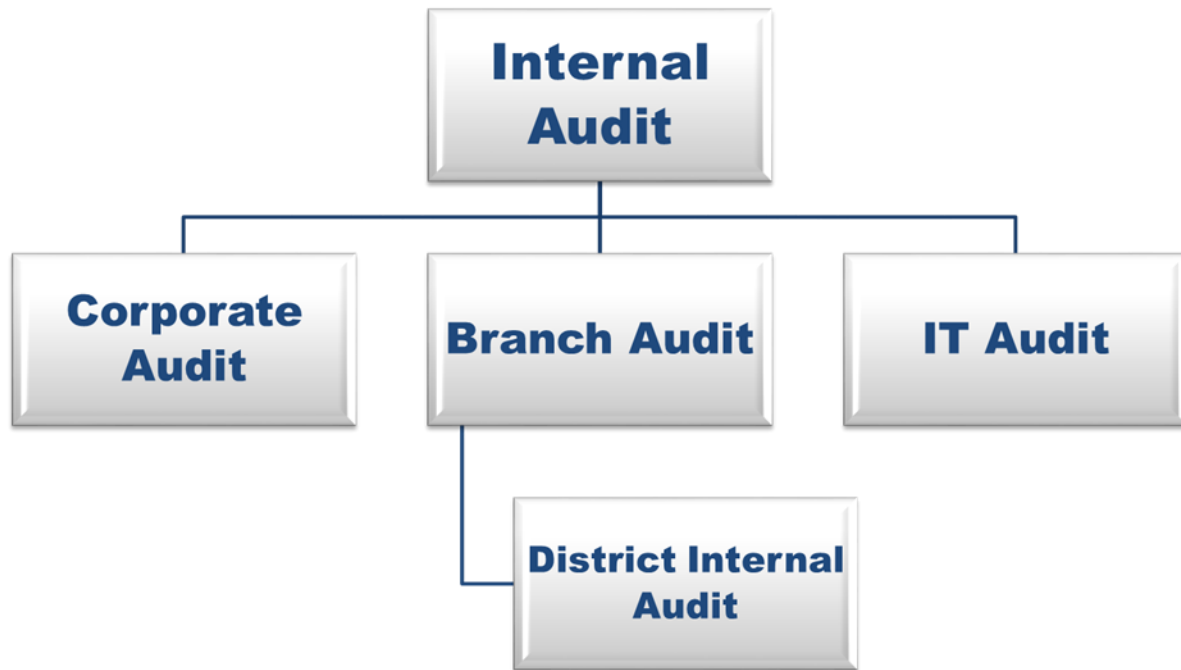
- Provides useful recommendations for improvements as necessary;
- Affected negatively by lack of attention from management which in turn adversely affects the auditee attributes; and
- Management support is a natural quid pro quo for effective internal audit. While; Sarens and Beelde (2006) point out the contribution and roles of internal audit in organizations or corporate governance from the senior management's expectation point of view.

Senior management expects internal audit:

- To compensate for management's loss of control resulting from increased organizational complexity,
- To be the safeguard of corporate culture through personal contacts with people in the field,
- To be a supportive functions in the monitoring and improvement of the risk management and internal control system,
- To be laid a training ground for future managers, and
- To collaborate actively with the external auditors to increase total audit coverage.

This indicates that internal audit and management is the interdependent unit that should be collaborated to achieve organizational goals. While doing their activities, there is some value that internal audit unit seeks from management (such as management support, commitment, expectation, etc.) and that the management wants from the internal audit like adding value in decision making by providing sufficient information and reducing information asymmetry, monitoring and improvement of the risk management and internal control system.

CBE Internal Audit Sector Departmental Chart



Source: - CBE Organizational structure (2018/19)

Figure 4.1 Internal audit departmental chart of CBE

2.3 Empirical Review

2.3.1 Factors that influence Internal Audit Effectiveness

Regarding the related topic of internal audit different authors and researchers analyzed and presented their studies. The literature of those studies regarding the main factors that influence the effectiveness of internal audit; such as management support, the management's perception of internal audit value, organizational independence of internal auditors, adequacy of internal audit staff, competency of internal audit staff, and the presence of approved internal audit charter reviewed as follows.

2.3.1.1 Management Support

Internal auditors have a close relationship with organization's management in their day to day activities. They need good support from their management to be more effective and to achieve the audit objectives. Management support is expressed in terms of supporting the auditing process by fulfilling the necessary resources, finance, transport if required, providing training, introducing auditors with new technology and procedures, budgeting funds for certification and other facilities that facilitate the internal auditing works. Management support has a consequence on internal audit effectiveness in organizations (Hailemariam, 2014).

The result of the study of Cohen & Sayag, (2010) showed that the support of management is almost crucial to the operation and success of internal audit. And other factors of internal audit effectiveness derive from support of top management. Mihret and Yismaw (2007) in their study reveals that that internal audit effectiveness is strongly influenced by management support, The researchers conclude that, there is a limited effectiveness in the case organization and Without the support of the higher management body, internal audit will not be effectively discharge its objective. Internal audit to provide the required service from the function, there should be sufficient management support.

Sarens and Beelde (2006) argue that the overall acceptance and appreciation of IA within the company is strongly dependent upon the support they receive from senior management. Internal audit actively seeks management support with resources, commitment to promote and communicate their added value. Therefore, audit finding and recommendations would not serve much purposely unless management is committed to implement them.

2.3.1.2. Management's Perception of IA's Value

“Perception is the process of attaining awareness or understanding of sensory information or it is the mental image or intuitive recognition of experience when aware of the elements of the environment (Woodard III, 2002). To function effectively, internal auditors and the customers of audit services should possess a similar understanding of what makes internal auditing a value added activity. The failure to reach this understanding could result in the perception that internal audit is simply an obstacle to achieving production objectives. This can result in underutilized audit services and ignored audit recommendations (Flesher and Zanzig, 2000) which adversely influence the effectiveness of IA (Arena and Azzone, 2009).

When employees at all levels perceive that the top management assigns importance to the function of IA, they will cooperate and support these processes (Cohen & Sayag, 2010). This implies that internal audit staffs are more motivated and encouraged to perform audit activities given good management's awareness of IA values. Sarens and Beelde (2006) used a case study approach of five Belgian firms to explore the expectations and perception of both senior management and internal auditors with respect to the relationship between these two parties. They find that, when internal audit operates primarily in a management support role, there is a lack of perceived objectivity and the relationship the audit committee is weak. However, senior management's expectations significantly influence internal audit and that the perception of senior management is critical to the acceptance and appreciation, to promote value added and to the maturity of internal audit function with the organization.”(Sarens and Beelde 2006 as cited by Yalaw ,2015).

2.3.1.3. Organizational Independence

Independent refers to the concept of being free from any management influence while internal auditors perform audit activities and issue audit report (Ahmad & Taylor, 2009). The assurance services provided by auditors derive their value and credibility from the fundamental assumptions of independence of mind and independence in appearance (Stewart and Subramaniam, 2010). Internal audit's independence from the units being audited has been regarded as a surrogate for objectivity. Independence is fundamental to the reliability of auditor's

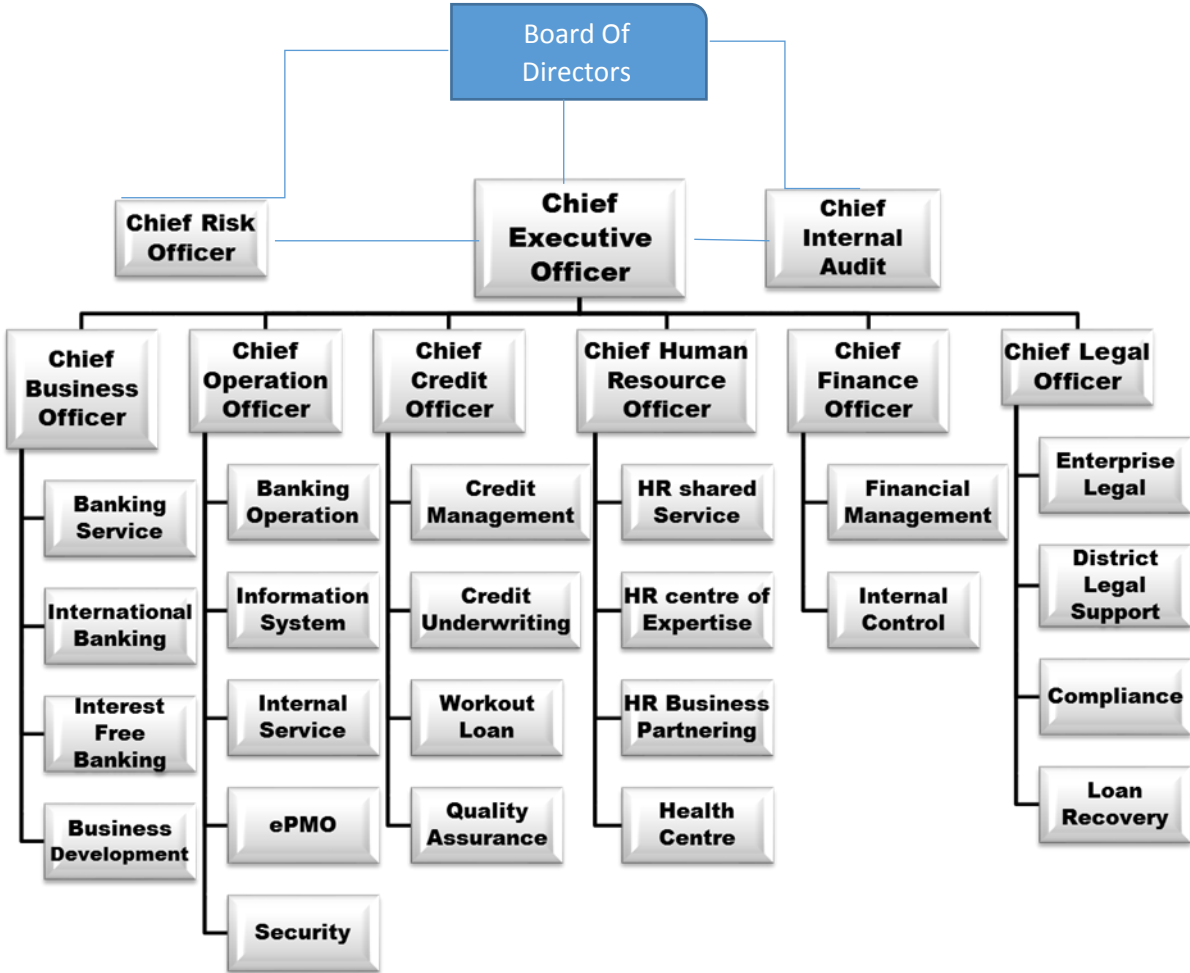
reports. Those reports would not be credible, and investors and creditors would have little confidence in them, if auditors were not independent both in fact and appearance (yalew 2015).

The assurance services provided by auditors derive their value and credibility from the fundamental assumptions of independence of mind and independence in appearance (Stewart and Subramanian, 2010). Sarens and Beelde, (2006) on their study show that senior management is in a position to exert a significance influence over internal auditors. Independence in fact exists when auditors are actually able to act with objectivity, integrity, impartiality and free from any conflict of interest. While the concept of independence in appearance is the auditor should be perceived by others (the public or other third party) to be independent. In this case, conflict of interest will also exist when a reasonable person, with full knowledge of all relevant facts and circumstances, would conclude that the auditor, or a professional member of the audit team, is not capable of exercising objective and impartial judgment in relation to the conduct of the audit of the audited body (Hailemariam, 2014).

Auditors should be sufficiently independent from those they are required to audit in order to conduct their work without interference. Coupled with objectivity, organizational independence contributes to the accuracy of the auditor's work and gives employers confidence that they can rely on the results and the reports (Cohen & Sayag, 2010). As Stewart and Subramaniam (2010) review, to enable the function to exercise organizational independence and individual internal auditors to act objectively organization should give appropriate status for internal audit.

As Cohen & Sayag, (2010) this will protects the internal auditor from pressure or intimidation, and increases the objectivity of the auditing work. So organizational independence is very important in order to achieve effective audit objectives.

CBE New Organizational Structure



Source: - CBE Organizational Structure (2019)

Figure 2:- Organizational chart (structure) of CBE

The researcher reviewed the newly structured organizational chart of the bank and departmental chart of IAS to examine the organizational position of IAS in CBE. Commercial bank of Ethiopia has internal audit sector or process headed by chief IA. Based on the organizational chart of CBE, IAS is independent and at the top level of the organizational hierarchy. The IAS is responsible to Board of Directors (BOD) functionally and Chief Executive Officer (CEO) administratively. This direct line with BOD enhance the independence of IAD

2.3.1.4. Adequate and Competent Internal Audit Staff

2.3.1.4.1. Adequate number on internal audit staff

Adequate staffing is essential for a system to its full capability. Al-Twaijry. (2004) says size is an important indicator of its quality that appropriate staffing of an internal audit department and good management of that staff are keys to the effective operation of an internal audit. Zain and Stewart, (2006) argue that a larger size internal audit is likely to be better resourced, including having a broader work scope, higher organizational status and wider staff talent than a smaller unit. Likewise, the quality of IA work is likely to be higher in internal audit units with a larger proportion of staff with audit experience than those with a lower proportion of audit experience. In internal auditing department, besides financial and accounting background auditors, more persons of different skills are needed to execute operating auditing and provide consulting services (Vondra and Schueler 1993). Lin, (2004) says, larger audit teams do work well compared to smaller teams

2.3.1.4.2 Competent Internal Audit Staff

Internal auditors should possess the knowledge, skills and competencies needed to conduct an audit. An audit requires a professional staff that collectively has the necessary education, training, experience and professional qualifications to conduct the full range of audits. Arena and Azzone, (2009) also stated that internal audit effectiveness increase in particular when the ratio between the number of skilled internal auditors and employees grows. The quality of its internal auditing is measured in terms of internal auditors. Libby and Frederick (1990) suggest the importance of auditor experience in enhancing auditor's knowledge. Similarly, Bonner and Lewis (1990) consider years of experience as an indicator of auditors knowledge and expertise. Although these scholars focused on external audit, the concept of expertise applies equally to internal auditors. This is because internal and external audit share a common body of knowledge and largely similar competencies.

Smith, (2005) stated that the development of effective communication skills (such as listening, interpersonal, written and oral communication skills) is an important part of internal auditor's advancement potential. Internal auditors must possess highly developed communication level skills to become a successful professional. Cohen & Sayag, (2010) stated that academic level, experience and the efforts of staff can measure competence of internal auditor. So the studies shows skilled internal auditors are appropriate for effectiveness of audit.

2.3.1.5. Approved Internal Audit Charter

“Internal audit charter is defined by the IIA as “a formal written document that defines the activity’s purpose, authority and responsibility. The charter should be (a) establish the internal audit activity’s position within the organization; (b) authorize access to records, personnel and physical properties relevant to the performance of managements; and (c) defined the scope of internal audit activities” (IIA, 2001). Additionally, an internal audit charter typically includes the responsibilities of the IA in broad terms, the standards followed by the IA; and the relationship between the IA and the audit committee.

It may also defines access to the information (documents, records, systems, and personnel) necessary to perform and reach conclusions on the work, and it is a vehicle for asserting that there are noun reasonable limitations on the scope of the auditor work.

The charter should clearly identify and record any limitations and alter to actual or potential changes on internal and external conditions that affect its ability to provide internal control assurance from a forward looking perspective O. Regan, (2002). Different authors have been explained the presence of defined audit charter in organizations will helps auditors to be effective. For instance, O. Regan (2002) concludes that a well drafted charter is an important ingredient for the IA effectiveness. It helps to direct the efforts of audit staff and defines what the board can expect on the assurance it required on internal control from an IA. VanPeurse (2005) added that the presence of a strong charter adds an official and respected layer of authority to the position of IA in the company. It is also an important feature of insuring success in achieving the independent status of an IA. Furthermore, the existence of audit charter in organization influences senior management to flow the recommendations of the internal auditor which in turn affects IA effectiveness” (Van Peurse, 2005 as cited by Hailemarim, 2014)

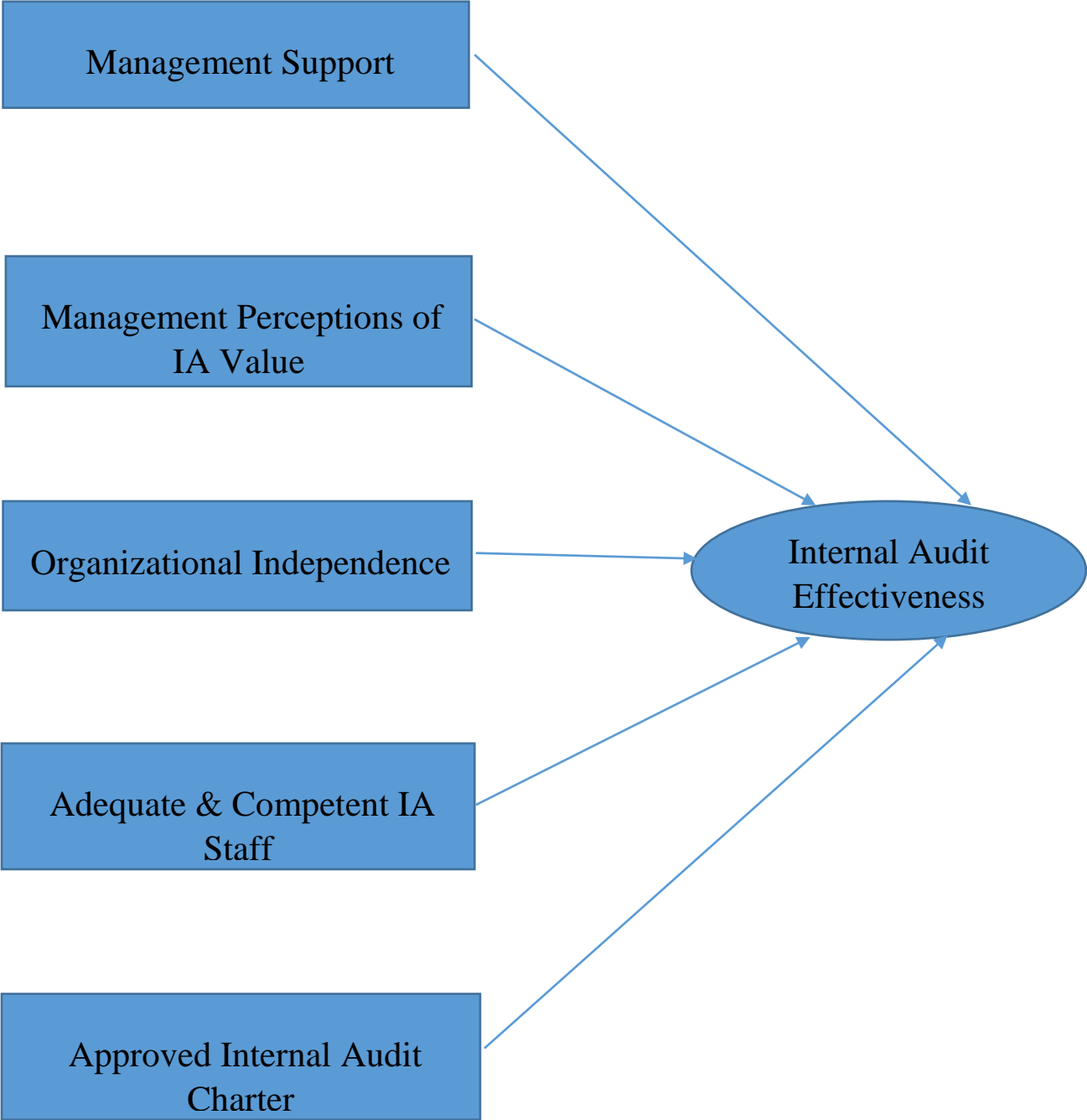
Despite increasing attention to the IA’s role within corporate governance, only limited researchers have been examined the determinants of effectiveness of its function. A number of these studies were IA related and organizational characteristics to the effectiveness of its function. For example, similar understanding of IA as value adding activity by management and its customer will increase the possibility of regular utilization of IA services and recommendations that in turn related with IA effectiveness (Flesher and Zanzig, 2000; Arena and Azzone, 2009). In assessing the organizational delivers of IA effectiveness added that the size of

internal auditors team and the involvement of audit committee in internal auditors activities are positively related with internal audit effectiveness (Arena and Azzone, 2009).

The advantage of having IA function within the organization was increasing the likelihood of detecting and self-reporting fraud than outsourcing functions. Nevertheless, the possibility of realizing these advantages is determined by different organizational characteristics (Coram et al, 2008). As Cohen and Sayag (2010) find top management support was strongly and consistently related to the three internal audit dimensions such as auditing quality, auditee evaluations and the added contributions. In addition, they stated that the greater the organizational independence increases positive internal auditee evaluation. Furthermore, the size of internal auditors staff, skills and experience of internal auditors, continues professional development and academic level are the best indicators of internal audit quality (Arena and Azzone, 2009; Cohen and Sayag, 2010; Al-Twaijry et al., 2004).

Finally, a well-defined internal audit charter will helps internal auditors to be effective and contributes to achieve the attempt of ensuring independent status of internal auditors (Van Peurseem, 2005; O'Regan, 2002). The current research was investigated the factors that influence the internal audit effectiveness in the Commercial Bank of Ethiopia based on the management support & perception of internal auditors value, organizational independence, existence of adequate & competent internal auditors staff and the presence of approved internal audit charter.

Figure 3: Frame work of Factors that influence internal audit effectiveness



Source: Researcher Zulkifli, Alagan and Mohd, 2014

CHAPTER THREE

3. RESEARCH METHODOLOGY

3.1. Introduction

Research refers to the structured enquiry which utilizes acceptable scientific methodology to solve problems and create new knowledge that is generally acceptable. Research methodology has been defined as a systematic way to solve research problem. Methodology consists of systematic observation, classification and interpretation of the study findings.

This section presents the research design and its methodology which are used to carry out the study. It describes the research design, the target population and sample size. Besides, it covers the research instruments and the procedure for collecting the primary data. Finally the chapter provides the methods that are used to analyze the collected data. The study conducted based on the descriptive research design .It is mainly concerned with describing the nature or condition and the degree in detail of the present situation. Creswell J.W. (1994) also states descriptive research design is a technique of gathering information about the existing condition. So this study used descriptive research approach to describe the factors that influence internal audit effectiveness in the commercial bank of Ethiopia

3.2 Research Design

Research design refers to the plan for undertaking the study especially obtaining a sample from a given population including techniques or the procedure that would be adopted.

It provides complete guidelines for data collection. Selection of research approach, design of sampling plan, experiment and questionnaire are among the essence of research design.

It is simply the framework or plan for a study used as a guide in collecting and analyzing data. It is the blueprint that is followed in completing the study.

It helps researcher to provide data that can answer the research questions or attain the research objectives. There are many types of research designs, depending on the types of data that the researcher want to collect and analyze, such as action, causal, experiment, cross-sectional, descriptive and so on . However, this study employed cross-sectional design because it can measure differences between or from among a variety of people, subjects, or phenomena rather than a process of change.

Because cross-sectional designs generally use survey techniques to gather primary data, they are relatively inexpensive and take up little time to conduct. Furthermore, the cross-sectional design is the most relevant to the study, Cross-sectional designs focus on studying and drawing inferences from existing differences between people, subjects, or phenomena.

3.3 Research methods

There are three main approaches to conduct a research project in the area of business and social sciences namely: quantitative, qualitative and mixed research approaches. Out of these approaches quantitative research method is mainly used to test a theory by investigative the factors based on the previous studies, identifying the research relationships and obtaining the findings. Quantitative method can also achieve greater objectivity and more accurate results if we comparing with the other methods. It depends on a few variables and it follows many tools in order to test the validity and reliability of the data. Therefore, in order to achieve the objectives of this study and thereby to give answer for its problems, quantitative research approach was used by the researcher.

3.4. Population and Sampling Techniques

3.4.1. Population of the Study

The target population identified for the research is all the internal audit staff of Commercial Bank of Ethiopia with different post (Director Corporate Audit, director branch Audit, Manager IT Audit, Team leaders and ordinary Auditors), focusing on different type of audit work that this audit team engaged (Corporate Audit, Branch Audit, Credit audit, Performance audit, Special audit, IT audit and other types of audit in head office organ) which is namely categorized in to Corporate Audit and Branch Audit by the newly revised structure of the year 2018 and the IT audit is as it is. According to the attendance sheet of the office the total number of the population is 104 i.e. 47 corporate Audit, 45 branch Audit and 12 IT Audit staff. The logic behind selecting all internal audit staffs is that internal audit staffs have direct relationship with the work of internal audit and this lead to acquire convenience information about the factors that influence internal audit effectiveness of the organization.

3.4.2. Sampling Techniques

Since the size of the population is small, total or availability population sampling is used to study the research.

Census method was used to conduct the research. According to the attendance sheet of the office, the Sector have a total 104 internal auditors with different positions i.e. Director, Manager, Team leader and ordinary auditors. Thus, 45 corporate audit, 47 branch audit and 12 IT audit staff members have participated in this study.

3.5. Instruments of Data Collection

3.5.1. Primary Data

A primary source is a first-hand contemporary account written by an individual who experienced or witnessed it. Primary sources allow you to examine the evidence firsthand without the opinions, analysis, and interpretations of other person.

In line with the aim to investigate the factors that influence internal audit effectiveness in the Commercial Bank of Ethiopia, the data used for the study is collect exclusively through primarily sources, which is questionnaires; that is filled by the respondent /internal audit staff/. The respondents filled and responded the questionnaires using their ample experience, attitude, opinion, and perception.

3.6. Variables Used in the Research

3.6.1. Dependent Variable

The dependent variable in this research was the internal audit effectiveness: it is measured on the dimension of strong support of management to the internal audit team, management perception of internal audit values, organization independence, and adequacy of internal audit stuff, competence of internal audit stuff and availability of internal audit charter.

3.6.2. Independent Variables

The independent variables of the research are:

The managements support for the internal audit activity: it is measured on the dimension of direct support from the top management, provision of adequate and proper resource for the audit work, assistance from team leaders and auditee and giving enough training for the audit staff, provide adequate resource to conduct audit work and takes timely corrective action

The management's perception of internal audit values: it is measured on the dimension of having enough awareness about the internal audit function by the management, consideration of management internal audit as a value adding activity, recognize audit finding for internal control mechanism and appreciation of the internal audit recommendation as a tool for improving effectiveness.

Organizational autonomy of the internal audit staff: it is measured on the dimension of the internal auditors conducting their work without interference, the level of freedom to access any necessary document and the level of freedom to include and report any audit findings in their work and freely decide on the scope and time

The adequate and competent internal audit staff: it is measured on the dimension of enough amount of the internal auditors to conduct the process that help the audit team to complete on time, work over load in terms of number of branch of the bank and the stress level of the stuffs. And qualified internal audit staff available, the skill level of the auditors in testing and analyzing the work, the uses of computerized data tools and the level of training the team staff take.

The presence of approved internal audit charter: it is measured on the dimension of the scope of internal audit activities defined by the charter, the purpose and authority defined by the charter and in line with standard for professional practice

3.7 Data Collection Method

These are ways used to gather information from various sources. As of discussed in the strategy associated with quantitative methods, survey method was adopted in this study. Survey is one of the most appropriate methods used in collection of primary data (Said and Khasharmeh, 2014). Therefore, our data source is coming from a questionnaire that was used for the needs of our study. It enables the researcher to consider appropriately gathering accurate and enough information.

A questionnaire was considered as a key tool in collecting data and it is the most widely used tool in social research such as this study. It contains standardized questions whereby all respondents may understand these questions in the same way. Data from the concerned study areas were collected using self-administered questionnaires.

Basically, there are three way of administering self-administered questionnaire including face to face, telephone, and mail (Marczyk, et al., 2005). Since the return rate and objectivity in filling a

questionnaire is high in face to face method (Marczyk, et al., 2005) the researcher used to administer a questionnaire on a face to face way.

3.8. Method of Data Analysis

Data analysis refers to the computation of certain measures along with searching for patterns of relationships that exist among data groups.

The study used quantitative method of data analysis. Descriptive statistics such as frequency distribution, percentages, mean, SD, chi-square and P-value were used to analyze data. The Quantitative technique was mainly used to analyze the questions because of their close-ended nature.

To ensure ease of analysis and minimize the margin of error, the questionnaires were coded according to each of the separate variables. The raw quantitative data was keyed into the computer and analyzed using Statistical Package for Social Sciences (SPSS) version 20 program. Because, it is the most common user friendly package by social scientists in recent years (Dawson, 2002; Singh, 2007).

After analyzing the data and properly interpreting them, findings of the study were presented by the use of graphs, charts and tables as applicable, in order to convey the visual impressions of the meaning or to clarify information that may otherwise be hidden within the data and summarized based on their importance of findings and which is followed by the forwarding of appropriate recommendation and suggestions for all the concerned parties.

3.9. Ethical Considerations

All important norms for collecting data from the field are available and should always be respected in the whole course and the researcher obeyed ethical norms. Based on this statement, the researcher convinced the participants that any confidential information they disclose will keep confidential and convince them the important of the study will to help the bank and the employees. The respondents also was told that, the exercise will only for academic purposes and that confidentially will assured and no one would fall a victim because of any adverse findings in connection with their professional duties. This was to be done in order to motivate them to give their responses without reservation. Every questionnaire attached to a cover letter which clearly explained the purpose of the survey. The questionnaire didn't require the names of the respondents; this was to protect their identity and remain anonymous.

CHAPTER FOUR

4. RESEARCH FINDINGS, ANALYSIS AND DISCUSSION

This chapter presents a discussion of the results and the process through which the results were obtained from the questionnaires that were filled by the Directors, Managers, Team leaders and Internal Auditors of Commercial Bank of Ethiopia based on their perception and level of agreement using a number of indicators.

The chapter also deals with the presentation and an analysis of data collected and discusses it in relation to factors that influence internal audit effectiveness and there are two sections presented in the questionnaire. The first is a general section which addresses the respondents' demographic characteristics and section two address specific research objectives

4.1 Data Analysis and Presentation

Quantitative technique was mainly used to analyze the questions because of their close-ended nature

The collected questionnaires were edited and cleaned for completeness in preparation for coding. Once the questionnaires were coded, they were entered into the Statistical Package for Social Sciences (SPSS) version 20 computer package for analysis. Descriptive statistics such as frequency distribution, percentages, mean and SD were used to analyze data. After the quantitative data were collected, edited, and proceed, and entered into SPSS software, a test for reliability has been made. Then after a descriptive statistics, mainly, frequency count, percentage, measure of central tendency (mean), measure of dispersions (Standard deviations) has been used to summarize and describe the results. In addition, other statistics like Chi-square test were used to measure level of significance for each measurement items of the variables and to identify the factors influencing IA effectiveness.

4.2. Descriptive Statistics of the Respondents

4.2.1. Response Rate

The study targeted the total population size of 104 respondents from which 96 were filled in and returned the questionnaires making a response rate of 92%. These shows good response rate for the managers, team-leaders and internal auditors. The remaining respondents were unable to respond because they were on field work for extended time and other reasons. The response rate was satisfactory to make conclusions for the study.

4.2.2. Respondents Profile

The first part of the questionnaire consists of the demographic information of the participants. This part of the questionnaire requested a limited amount of information related to personal and demographic characteristics of respondents. Accordingly, the following variables about the respondents were summarized and described in the subsequent table. These variables include:

Gender, Age Brackets, level of education, field of study, and service year of the respondents.

Table 4-1:- Gender of the respondent

	Frequency	Percent	Valid Percent	Cumulative Percent
Male	65	67.7	67.7	67.7
Female	31	32.3	32.3	100.0
Total	96	100.0	100.0	

Source: - Field Survey (2019)

The respondents were asked to fill the questionnaire including their gender. The idea behind was to ensure men and women were equally involved as respondents. Men and women sometimes have different opinions which were important to capture in the sample. The studies found that gender of the respondents were 65 (67.7%) males and 31 (32.3%) females. These data shows that the findings were from both male and female respondents. However in comparing their numbers there are more males in the department of audit at Commercial Bank of Ethiopia than females and the male respondents formed majority of the target population, The probable reason for this gender bias may come from various reasons such as it is obvious that due to extended time of field work, engagement of females in such activities are low which needs further studies.

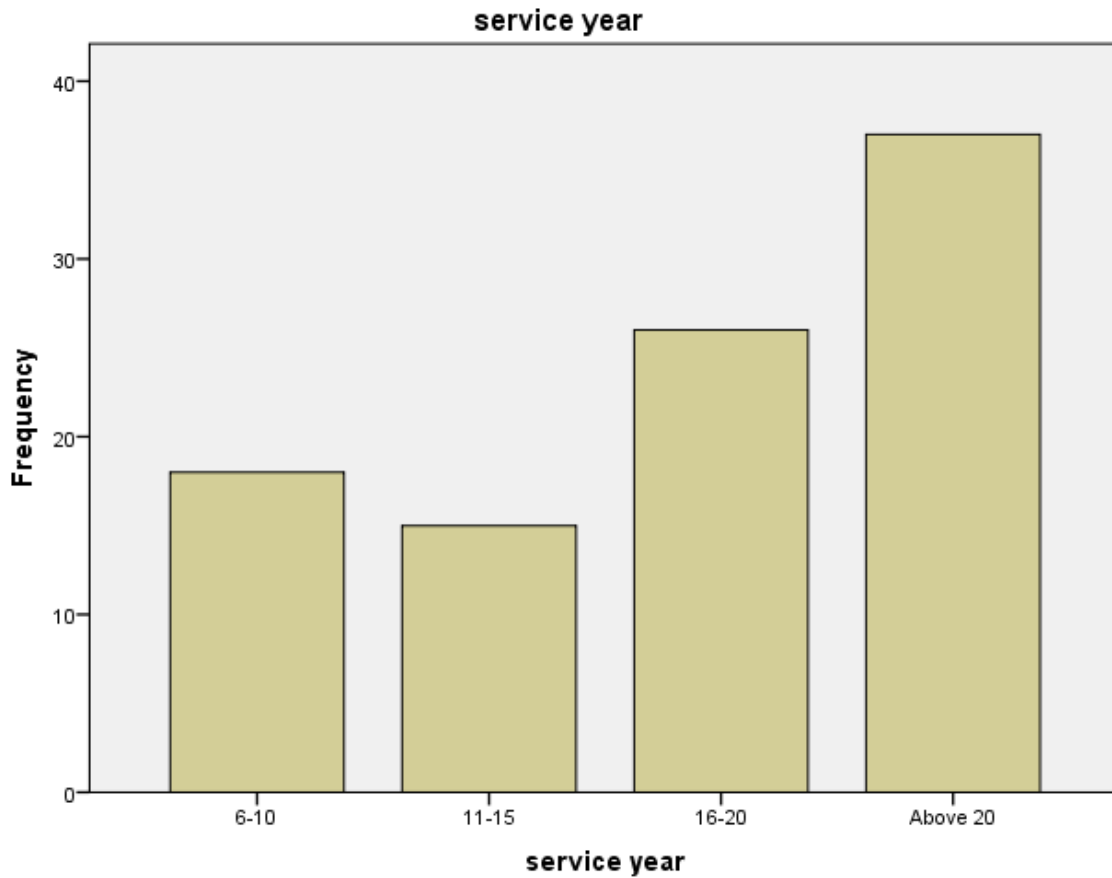
Table 4-2: Age of the Respondent

	Frequency	Percent	Valid Percent	Cumulative Percent
25-30	7	7.3	7.3	7.3
31-35	18	18.8	18.8	26.0
36-40	25	26.0	26.0	52.1
Above 40	46	47.9	47.9	100.0
Total	96	100.0	100.0	

Source: - Field Survey (2019)

The study requested the respondents to indicate their age category, the findings revealed that 7.3% of the respondents were aged between 25 to 30 years, 18.8% of the of the respondent indicated they were aged between 31 to 35 years, 26 % of the respondents indicated were aged between 36 to 40 years, whereas the remaining 47.9 % of the respondents indicated that they were aged above 40 years. This is an indication that respondents were well distributed in terms of their age bracket. The age bracket shows that the respondents were comprised more of 36 year and above (73%). It is clear from the study findings that the majority of the respondents had enough experience in all over the banking operation as well as audit work hence that the information provided was credible and reliable and could facilitate effective conclusions.

Graph4-1: Year of Service



Source: - Field Survey (2019)

The study also requested respondents to indicate the number of service years they had served for. The study show that 18(18.8%) of the respondents had worked for a period raging 6 to 10 years, 15(15.6%) of the respondent indicated that they had worked for a period raging between 11 to 15 years, 26(27.1%) of the respondents had served 16 to 20 years, and the rest 37(38.5%) of the respondents indicated that they had worked for a period of more than 20 years. This implies that majority of internal auditors in the bank had high levels of experience in different positions who have accumulated knowledge on the banking activity and the ability to investigate audittee and

can perform their auditing activities by using their past experience and also add value to the organization or department. And had good knowhow specifically for the study area to respond the question based on their opinion.

Libby and Frederick (1990) suggest the importance of auditor experience in enhancing auditors knowledge. Similarly, Bonner and Lewis (1990) consider years of experience as an indicator of auditors knowledge and expertise. And also Cohen & Sayag, (2010) stated that academic level, experience and the efforts of staff can measure competence of internal auditor.

Table4- 3: Field of Study

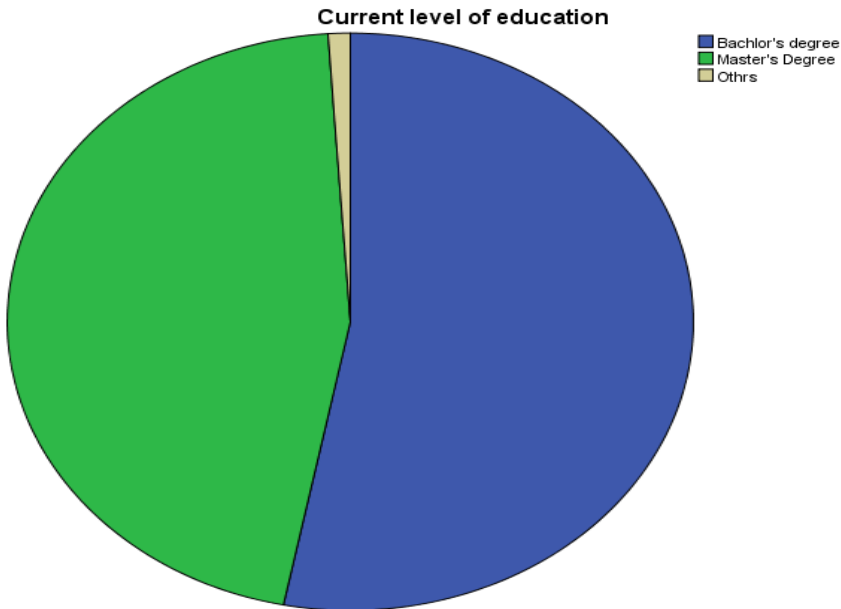
	Frequency	Percent	Valid Percent	Cumulative Percent
Accounting	45	46.9	46.9	46.9
Management	27	28.1	28.1	75.0
Economics	11	11.5	11.5	86.5
Others	13	13.5	13.5	100.0
Total	96	100.0	100.0	

Source: - Field Survey (2019)

The response to the questionnaires revealed that educational background of the respondents comprises of Accounting 45(46.9%), Management 27(28.1%), Economics 11(11.5%) and the remaining 13(13.5%) were other field of study like IT, Marketing Management and MBA . Here, the majority of respondents studied accounting followed by management and economics fields respectively which shows their knowhow with the subject matter addressed in the study.

However the scope of IA in those commercial banks had expanded mainly to financial operation areas. IA team including most “Accounting and management” background staffs could lack skills, experience, and knowledge in other fields.

Chart 4-1 Educational level



Source: - Field survey (2019)

A key determinant of performance is education. Education provides necessary skills and knowledge to employees which enable them to increase labor productivity. Thus in this study education level is an important factor. Finally the study requested the respondents to indicate their highest level of education and from the findings it was recognized that 51 (53.1%) of the respondent indicated their highest level as Bachelor Degree, 44(45.8%) of the respondents indicated their highest level of education as Master's Degree, the remaining 1(1%) indicated others and there is no diploma holder in the department. It is identified that most of the respondents included in the study had Masters and Bachelor's Degree. Based on this result majorities of internal audit team members were educated/or professional and can contribute more for the effectiveness of their intended work.

From this, it is possible to infer that the respondents can easily understand the questions as desired by the researcher. From the organization's point of view, it can be said that the bank is realizing its mission of deploying skilled and qualified employees as a means of achieving the vision to be a world class commercial bank.

This result is consistent with prior IA standards (IIA, 2011) and studies Arena and Azzone, (2009) stated that internal audit effectiveness increase in particular when the ratio between the number of skilled internal auditors and employees grows. However with regard to professional certifications, like certified internal auditor (CIA), certification on fraud detection audit and Association of Chartered Certified Accountants (ACCA) internal audit team member of CBE had not sufficient certified personnel and this is inconsistent with Commercial Bank of Ethiopia approved internal audit charter which says certification like Certified internal audit (CIA), certified fraud examiner (CFE), and certified information system audit (CISA) are encouraged. Professional certifications have great quality in regard of adding value, and enhance department and organizational performance. According to the participants' response, CBEs lack sufficient certified personnel with regard to their number.

4.3 Factors influencing Internal Audit Effectiveness

The aim of this study was to analyse the factors influence EIA in Commercial Bank of Ethiopia. This section, therefore, presents the reliability of analysis and detailed findings of the study. The findings are based on internal auditors' (respondents) perceptions. Questionnaire as measure of consistency of the question items, the reliability analysis was conducted using Cronbach's Alpha (α), the most common measure of scale reliability test and a value greater than 0.700 is very acceptable (Field, 2009; Cohen and Sayag, 2010) and according to Cronbach's (1951), a reliability value (α) greater than 0.600 is also acceptable. As shown below in Table 4 below the value for Cronbach's Alpha (α) was 0.876 for all variables which exceed 0.70 the accepted value for Cronbach's Alpha (Field, 2009; Cohen and Sayag, 2010). Thus, it can be concluded that, the responses generated for all of the variables used in this research was reliable enough to analyze the data.

Table 4-4 Test of reliability

Case Processing Summary			
		N	%
Cases	Valid	96	100.0
	Excluded ^a	0	.0
	Total	96	100.0

a. Listwise deletion based on all variables in the procedure.

Table4-5 Test of Reliability

Reliability Statistics	
Cronbach's Alpha	N of Items
.877	30

This section tried to deal with analyzing the influence of five categories of determinants on effectiveness of internal audit. Respondents were further required to indicate the extent to which they agreed with various aspects on factors influence the effectiveness of the internal audit effectiveness in Commercial Bank of Ethiopia. The factors ranged from top management support, management’s perception of internal audit value, organizational independence of the internal audit function, availability of competent and adequate internal audit staff, and availability of approved internal audit charter. The analysis consider the response items (strongly agree, agree, Neutral, Disagree and strongly disagree) as categorical and continuous variables. Furthermore each independent variable is initially coded as 5 for strongly agree, 4 for agree, 3 for neutral or no opinion, 2 for disagree and 1 for strongly disagree. And presents descriptive analysis regarding explanatory variables using mean and standard deviation and Chi-square test. The mean value of each independent variable is interpreted based on Best (1997). According to (Best and khan 1995), the decision rules used in the analysis was average mean less than 3 was considered as low, average mean equal to 3 was considered as medium and average mean greater than 3 was considered as high throughout the study.

As continuous variable, the mean score of responses were obtained by summing up the responses of all question items with in the category and divide the value by the number of question items. Based on this mean value, score which is less than 3 was considered as ineffective, and on the other hand, value which was greater than 3 was considered as effective and the possible factors highly contribute to the effectiveness of internal audit. On the other hand the responses of respondents were also treated as discrete values where each item was employed to identify the significance of each question items to see the influence of the factors towards internal audit effectiveness in Commercial Bank of Ethiopia. The below discussions was based on the above mentioned assumptions.

Identifying major factors that would have association with effectiveness of internal audit was one of the major essences of this research. The findings of those factors are presented here under in the consecutive table.

As it can be depicted from table 4-8 to 4-13, management support, management's perception of internal audit value, independence of internal auditors, availability of competent and adequate internal audit staff, and availability of approved internal audit charter were assumed to have association with effectiveness of internal audit. Each category of determinant has several question items in it. Frequency, Percentage, Mean, SD, chi square were used to delineate whether the question items were influenced the effectiveness of internal audit. In general the effectiveness of internal audit was operationalized in such a way that mean scores less than 3 as ineffective and mean score greater than 3 and majority or the highest percentage of the respondent agreed on the response are considered as effective, and the statically significant level of the chi-square test (Sig value <0.05), satisfy test requirements. And the following discussions are made based on these assumptions.

RESPONDANTS' PERCEPTION REGARDING MS, MP of IA value, OI, ACIA, AIAC AND IAE

4.3.1. Top Management Support

Management support was supposed to influence the effectiveness of internal audit. 58.4% of the respondents agreed that the internal audit team has direct support and assistance from the top management. 73% and 77% of the respondent agreed that the internal audit get assistance from their team leaders and auditee respectively. 59.4% of them agreed that IA team is provided by

adequate and proper resource by the management to conduct audit work. 54.2% indicate that management provides enough support and encouragement for training and development the IA staff. Another 50% and 54.2% of them agreed that management takes timely corrective action based on IA recommendations and gives reasonable response.

The mean score of responses was 3.385, which indicated that majority of the respondents had positive inclination towards the response of their questions.

This implied that the overall average response for the management support was agreed by the respondents. All the questions under the category have got relatively high rate as explained by mean scores of each of 3.5, 3.7, 3.7, 3.5, 2.67, 3.2 and 3.5 respectively, which is leveled as having influence on internal audit effectiveness.

From the percentage and summative score of questionnaires designed for the management support category revealed that support from their team leaders, auditee and top management and also providing adequate and proper resource to conduct the audit is very important for the internal audit team to become effective in their daily task accomplishments in particular as compared with other items which is indicated with a mean score of 3.7 and 3.5, and 77%, 73%, 58.4% and 59.9% of the respondent respectively agreed on these items. As it can be observed in table 4-8 from the listed question items in this category support from their team leaders, auditee and top management has statistically significant with respect to dependent variable. And had influence on internal audit effectiveness at varied p-values $P < 0.05$.

The findings above are consistent with the previous auditing research works of (Shewamene, 2014; which says, Management support has a consequence on internal audit effectiveness in organizations Cohen and Sayag, 2010; said is that the support of management is almost crucial to the operation and success of internal audit. Mihret and Yismaw, 2007) they also found and reported that the top management support was the determinant factor for the effectiveness internal audit in particular. Therefore, the management can contribute for the effective result of the internal auditors through their support in terms of fulfilling the necessary materials, continuous training for their IA staff and facilities that the IA staff needs. The findings are as shown in table 4.8 below.

Table 4-5 Top Management Support

Measurement items	Rating (Lickert Scale)						Total	Mean	S.D	Chi Square	Sig (P-Value)
	SA	A	N	D	SD						
	f (%)	f (%)	f (%)	f (%)	f (%)						
The IA team has direct support and assistance from the top management	11 (11.5)	45 (46.9)	24 (25)	12 (12.5)	4 (4.2)	100	3.5	.99	27.350	.038**	
The internal audit team members get assistance from their team leaders	18 (18.8)	52 (54.2)	11 (11.5)	13 (13.5)	2 (2.1)	100	3.7	.98	33.305	.007***	
The IA team members get assistance from auditee during their audit engagement	13 (13.5)	61 (63.5)	9 (9.4)	9 (9.4)	4 (4.2)	100	3.7	.96	34.166	.005***	
The IA team is provided by adequate and proper resource to conduct audit work by the management	15 (15.6)	42 (43.8)	20 (20.8)	14 (14.6)	5 (5.2)	100	3.5	1.1	19.519	.243	
The management does not provide enough support and encouragement for training and development the IA staff	3 (3.1)	23 (24)	18 (18.8)	43 (44.8)	9 (9.4)	100	2.7	1.04	8.781	.922	
Management takes timely corrective action based on IA recommendations	8 (8.3)	40 (41.7)	20 (20.8)	23 (24)	5 (5.2)	100	3.2	1.07	18.456	.298	
The response to IA reports by the management is reasonable	6 (6.3)	46 47.9	23 (24)	18 (18.8)	3 (3.1)	100	3.4	.96	10.904	.815	
Total items mean							3.385				

The P value of significance: (**) at 95% CI, (***) with 99%CI

Source: Questionnaires and SPSS output (2019)

4.3.2. Management's Perception of IA's Value

Management's perception of IA's value would have positive influence to undertake effective internal audit activities. In this regard, this item was assumed to affect the effectiveness of internal audit.

52.1% of the respondent agreed on the managements awareness and good/+ve perception about internal audit functions. Another 62.5% and 61.5% of the respondent agreed that top management considers internal auditing practices as a value adding activity hence has a warm wish to review the audit findings for decision making and recognizes the audit finding reports as a tool which gives a clue on the current financial performance and internal control mechanisms respectively. Finally 56.3% of them indicate that management appreciates the internal audit recommendations as a tool that contributes to the improvement of risk management, control and governance.

The mean score of responses for this category as determinant was 3.456, which again showed that majority of the level of responses regarding the question of management's perceptions of IA's value towards effectiveness of internal audit was positive.

All the questions under the category have got relatively high rate as explained by mean scores of each of 3.32, 3.52, 3.57, and 3.41 respectively. The summative score of questionnaires designed for the Management's Perception of IA's Value category revealed management's perception in terms of awareness about the subject matter, encouragement of the internal audit team, giving recognition, and appreciations as well were found also important for the internal audit team to become effective in their task accomplishments. The recognition of audit finding reports as a tool which gives a clue on the current financial performance and internal control mechanisms and considering internal auditing practice as value adding activity in particular influenced the effectiveness of the internal audit activity as compared with other items in the category as indicated with 3.57 and 3.52 a mean score and 61.5% and 62.5 of the respondent respectively agreed on this item. And based on the chi-square test of P-value the significance of each question items in this category has statistically significant with respect to dependent variable. All the question items had influence on internal audit effectiveness at varied p-values <0.001 except the question item is that, management appreciates the IA recommendations as a tool that contributes to the improvement of risk management, control and governance.

When employees at all levels perceive that the top management assigns importance to the function of IA, they will cooperate and support these processes (Cohen & Sayag, 2010).

Senior management's expectations significantly influence internal audit and that the perception of senior management is critical to the acceptance and appreciation, to promote value added and to the maturity of internal audit function with the organization.”(Sarens and Beelde 2006 as cited by Yalew ,2015). This implies that internal audit staffs are more motivated and encouraged to perform audit activities given good management's awareness of IA values. The findings are as shown in table 4.9 below.

Table 4-6 Management's Perception of IA's Value

Measurement Items	Rating (Lickert Scale)						Total	Mean	S.D	Chi-Square	Sig (P-Value)
	SA	A	N	D	SD						
	f (%)	f (%)	f (%)	f (%)	f (%)						
The Top management has enough awareness and good/+ve perception about IA functions	7 (7.3)	43 (44.8)	26 (27.1)	14 (14.6)	6 (6.3)	100	3.32	1.02	57.365	.000***	
The top management considers IA practices as a value adding activity.	7 (7.3)	53 (55.2)	22 (22.9)	11 (11.5)	3 (3.1)	100	3.52	.91	39.024	.001***	
The management recognizes the audit finding reports as a tool which give a clue on the current financial performance and internal control mechanisms	11 (11.5)	48 (50)	24 (25)	11 (11.5)	2 (2.1)	100	3.57	.914	33.801	.006**	
The management appreciates the IA recommendations as a tool that contribute to the improvement of risk management, control and governance	7 (7.3)	47 (49)	24 (25)	14 (14.6)	4 (4.2)	100	3.41	.969	24.769	.074	
Total items mean							3.456				

The P value of significance: (**) at 95% CI, (***) with 99%CI

Source: Questionnaires and SPSS output (2019)

4.3.3. Organizational independence

Auditors need to act independently of other parties for their contribution to internal audit to be effective. 62.5% of them indicated that the IA operates totally independently, and conducts their work without interference. 64.6% of them indicate that internal auditors freely decide on the scope, time and extent of auditing procedures. Majority of the respondent i.e. 69.8 % and 79.1% further indicated that IA members feel free to include any audit finding in their audit work and freely access any necessary documents, information and data about the Process.

The mean score value for the category in average was 3.648 which falls on a high agree degree of agreement as compared with the other four variables. This implied that the overall average response for the organizational Independence was highly agreed by the respondents. All the questions under this category have got high rate as compared with the other factors which is explained by mean scores of each of 3.59, 3.44, 3.70, and 3.86 and from their percentage 62.5%, 64.6%, 69.8% and 79.1% of respondents respectively are agreed on the question items. The summative score of questionnaires designed for the Organizational Independence category revealed Organizational Independence in terms of task accomplishments without interference, independence in decision making regarding the audit findings, and access to necessary documents uncovered very important for the internal audit team to become effective in their task accomplishments is highly contributed to the effectiveness of internal audit function in CBE. Free access in any necessary documents, information and data about the Process under investigation and IA members feel free to include any audit finding in their audit work in particular highly influenced the effectiveness of the internal audit team as compared with other items in the category as indicated with a mean score of 3.86 and more than 78% of the respondent agreed on this item. From the chi-square test of P-Value all question items in this category has statistically significant with respect to dependent variable. All the four question items had influence on internal audit effectiveness at $p < 0.001$ (Table 4-10) and the findings above indicate to a big extent that the auditors are sufficiently independent from those that they audit, and are able to conduct their work without interference and it confirms this assumption in such a way that all of the question items under this category were significantly affecting the effectiveness of internal audit. And the study has found that the organizational independence excels all the independent variables included together in this study in influencing internal audit effectiveness.

This is consistent with the argument that Organizational independence contributes to the accuracy of the auditor’s work and gives employer’s confidence that they can rely on the results and the reports (Cohen & Sayag, 2010) and Independent refers to the concept of being free from any management influence while internal auditors perform audit activities and issue audit report (Ahmad & Taylor, 2009). So organizational independence is very important in order to achieve effective audit objectives. The findings are as shown in table 4.10 below.

. Table 4-7 Organizational independence

Measurement Items	Rating (Lickert Scale)						Mean	S.D	Chi-Square	Sig (P-Value)
	SA	A	N	D	SD	Total				
	f (%)	f (%)	f (%)	f (%)	f (%)					
The IA operates totally independently, and conducts their work without interference	14 (14.6)	46 (47.9)	23 (24)	9 (9.4)	4 (4.2)	100	3.59	.99	60.491	.000***
The internal auditors freely decide on the scope, time and extent of auditing	7 (7.3)	55 (57.3)	15 (15.6)	11 (11.5)	8 (8.3)	100	3.44	1.06	42.862	.000***
All IAs feel free to include any audit finding in their audit work and report directly to responsible body	13 (13.5)	54 (56.3)	20 (20.8)	5 (5.2)	4 (4.2)	100	3.70	.919	68.360	.000***
IA can freely access any necessary documents, information and data about the Process under investigation and hence always acknowledged	20 (20.8)	56 (58.3)	9 (9.4)	9 (9.4)	2 (2.1)	100	3.86	.92	106.39	.000***
Total items mean							3.648			

The P value of significance: (**) at 95% CI, (***) with 99%CI
Source: Questionnaires and SPSS output (2019)

4.3.4 Adequate and competent IA Staff

Availability of adequate and competent internal audit staff is another possible factor that influence the effectiveness of internal audit. 41.7% of the respondent agreed that the existing internal audit staff number and their skill are matches the scope of internal audit operations and achieved the corporate goal set for the IA. Another 58.3% of them agreed on that audit procedures and evidence collections are completed on time, since enough and skilled internal auditors are available or employed for the bank in line with technological and organizational advancements. 59.4% of the respondent indicates that internal auditors are proficient in planning on risk-based internal auditing. Another 45.8% of them agreed that internal auditors are free from stress that is caused by work over load, further majority of the respondent i.e. 62.5% of them indicate that internal auditors undertake continuous professional development training. Finally 45.8% of them agreed that the number of the internal auditors is enough and all internal auditors have a good testing and analysis skill that help them to conduct the audit work effectively.

The average mean score of responses for this category as determinant was 3.298 which falls on an agree degree of agreement and the level of responses regarding the influence of the availability of adequate and competent internal audit staff towards effectiveness of internal audit was positive, However the overall average mean score is low as compared to the above there variables. This implied that the contributions of adequate and competent internal audit staff to the effectiveness of internal audit is less that the above mentioned variables. All the questions under this category explained by mean scores of each 3.17, 3.41, 3.47, 3.21, 3.48 and 3.05 respectively. The summative score of questionnaires designed for the adequate and competent Internal Audit Staff category revealed that the continuous professional development training per annual to conduct the audit and the internal auditors proficient in planning risk based auditing in particular contribute to the effectiveness of the internal audit team as compared with other items in the category as indicated with a mean score of 3.48 and 3.47 and 62.5% and 59.4% of the respondent agreed on this item. And the level of significance for this variable (as compared to above mentioned determinants) was found to be low, only 3 of the six items were found to have significant influence (at $p < 0.05$) with the dependent variable. From the findings the researcher concluded that adequate and competent internal audit staff has an effect on the effectiveness of

internal auditing, however the level of significance contribution was found to be less than the other.

Al-Twajry. (2004) says size is an important indicator of its quality that appropriate staffing of an internal audit department and good management of that staff are keys to the effective operation of an internal audit. Arena and Azzone, (2009) also stated that internal audit effectiveness increase in particular when the ratio between the number of skilled internal auditors and employees grows. The findings are as shown in table 4.11 below.

Table 4-8 Adequate and competent Internal Audit Staff

Measurement Items	Rating (Lickert Scale)						Total	Mean	S.D	Chi-Square	Sig (P-Value)
	SA	A	N	D	SD						
	f (%)	f (%)	f (%)	f (%)	f (%)						
The number and their skill of IA is matches the scope of IA operations	4 (4.2)	36 (37.5)	31 (32.3)	22 (22.9)	3 (3.1)	100	3.17	.94	8.69	.368	
The audit procedures and evidence collections are completed on time, since enough and skilled IAs are available	5 (5.2)	51 (53.1)	20 (20.8)	18 (18.8)	2 (2.1)	100	3.41	.924	15.42	.051	
Internal auditors are proficient in planning on risk-based Internal auditing	6 (6.3)	51 (53.1)	25 (26)	10 (10.4)	4 (4.2)	100	3.47	.917	15.67	.047**	
The IAs are free from stress that is caused by work over load, so that they can conduct the internal audit effectively	7 (7.3)	37 (38.5)	29 (30.2)	15 (15.6)	8 (8.3)	100	3.21	1.06	11.59	.170	
IAs undertake continuous professional development training to conduct the audit effectively	7 (7.3)	53 (55.2)	19 (19.8)	13 (13.5)	4 (4.2)	100	3.48	.962	18.94	.015**	
The number of the IAs is enough and all IAs have a good testing and analysis skill that help them to conduct the audit work effectively	1 (1.0)	43 (44.8)	24 25.0	16 (16.7)	12 (12.5)	100	3.05	1.08	28.67	.000***	
Total items mean							3.298				

The P value of significance: (**) at 95% CI, (***) with 99%CI
 Source: Questionnaires and SPSS output (2019)

4.3.5. Approved Internal Audit Charter

Finally respondents were required to indicate the extent to which the availability of approved internal audit charter at being effective in contributing to the internal audit function. Only 31.2% of them indicate the IA charter defined scope of IA activities. Another 37.6% of the respondent indicate the purpose and authority of internal audit is clearly defined in charter. 34.4% and 42.7% of the respondent agreed on that the purpose and authority of internal audit charter is in line with “Standards for the Professional Practice” and the IA charter specifies authorized access to records, personnel, and physical properties relevant to the performance of engagements respectively. From the finding shows that the presence of approved internal audit charter in CBE contributions to internal audit effectiveness was found to be low.

The mean score value for the category in average was 3.057 which falls on the neutral degree of agreement. This also implied that the overall average response for presence of Approved Internal Audit Charter was neutral. All the questions under this category have got mean scores of each 3.01, 3.04, 2.96, and 3.21 respectively. The level of responses by the respondent for this variable (as compared to above mentioned determinants) was found to be low. And it indicate that there is a limited degree to which the availability of approve internal audit charter for internal audit department at the Commercial Bank of Ethiopia and all the question items under this category has not significant to the effectiveness of internal audit where $p > 0.05$ that showed majority of respondent consider that IAs were insignificant effect on IAE. Therefore the existence of approved internal doesn't affect the internal audit effectiveness like other variables. In other words, the effect of internal audit charter isn't this much important and hence it is the variable scored the last grade in its importance as compared to other variables with the lowest mean score of 3.057 which is neutral. It indicates that majority of the responded have no opinion about the approved internal audit charter, the respondent (internal audit staff). This is against the finding in other studies where it was argued that under these conditions, O. Regan (2002) saying that a well drafted charter is an important ingredient for the IA effectiveness. It helps to direct the efforts of audit staff and defines what the board can expect on the assurance it required on internal control from an IA.

The presence of a strong charter adds an official and respected layer of authority to the position of IA in the company. It is also an important feature of insuring success in achieving the independent status of an IA. Furthermore, the existence of audit charter in organization

influences senior management to flow the recommendations of the internal auditor which in turn affects IA effectiveness” (Van Peurse, 2005 as cited by Hailemarim, 2014). The findings are as shown in table 4.12 below.

Table 4-9 Approved Internal Audit Charter

Measurement Items	Rating (Lickert Scale)					Total	Mean	S.D	Chi-Square	Sig (p-value)
	SA	A	N	D	SD					
	<i>f</i> (%)	<i>f</i> (%)	<i>f</i> (%)	<i>f</i> (%)	<i>f</i> (%)					
The IA charter defined scope of IA activities	1 (1.0)	29 (30.2)	38 (39.6)	26 (27.1)	2 (2.1)	100	3.01	.840	13.558	.330
The purpose and authority of internal audit is clearly defined in charter	6 (6.3)	30 (31.3)	24 (25.0)	34 (35.4)	2 (2.1)	100	3.04	1.00	12.697	.371
The purpose and authority of internal audit charter is in line with “Standards for the Professional Practice”	2 (2.1)	31 (32.3)	30 (31.3)	28 (29.2)	5 (5.2)	100	2.97	.956	16.614	.165
The IA charter specifies authorized access to records, personnel, and physical properties relevant to the performance of engagements	5 (5.2)	36 (37.5)	32 (33.3)	20 (20.8)	3 (3.1)	100	3.21	.939	13.612	.326
Total items mean							3.057			

The P value of significance: (**) at 95% CI, (***) with 99%CI

Source: Questionnaires and SPSS output (2019)

4.5. Internal Audit Effectiveness

Finally, the study conducted on the effectiveness of internal audit which is the dependent variable in the study. 84.4% of them agreed on that Management support is a corner-stone for the IA Effectiveness. Another 90.7% indicate that Management Perception of IA's has impact in the effectiveness of its function. 86.4% of them agreed that Organizational Independence excels all the factors that affect IA effectiveness. 97.9% of the respondent agreed on that Availability of adequate and competent internal audit staff is vital to the effectiveness of the audit processes. And finally 90.7% indicate that Availability of approved internal audit charter has impact on the effectiveness of its function.

The mean score value for the category in average was 4.254 which falls on an agree degree of agreement. This implied that the overall average response for the internal audit effectiveness was agreed by the respondents. All the questions under this category have got mean scores of each 4.23, 4.19, 4.08 4.45 and 4.31, respectively. This shows the respondents highly agreed on all the question items under this category.

From the chi-square test of $p\text{-value} < 0.05$ Organizational independence is statistically significant to the effectiveness with all measurement items at $p\text{-value} 0.000$, Management support and management perceptions of internal audit value also a significant effect to the effectiveness on internal audit next to organizational independence with $p\text{-value} < 0.05$ whereas the availability of adequate and competent internal audit staff was less contributed and also it is uncovered the presence of approved internal audit charter was insignificant effect to the effectiveness of internal audit.

Table 4-10 Internal Audit Effectiveness

Measurement Items	Rating (Lickert Scale)										Total	Mean	S.D	
	Strongly Agree		Agree		Neutral		Disagree		Strongly Disagree					
	<i>f</i>	%	<i>f</i>	%	<i>f</i>	%	<i>f</i>	%	<i>f</i>	%				
Management support is a corner-stone for the IA Effectiveness	41	42.7	40	41.7	12	12.5	2	2.1	1	1.0	100	4.23	.826	
Management Perception of IA's has impact in the effectiveness of its function	35	36.5	52	54.2	4	4.2	3	3.1	2	2.1	100	4.19	.828	
Organizational Independence excels all the factors that affect IA effectiveness	25	26	58	60.4	11	11.5	2	2.1			100	4.08	.749	
Availability of adequate and competent internal audit staff is vital to the effectiveness of the audit processes	45	46.9	49	51	2	2.1					100	4.45	.540	
Availability of approved internal audit charter has impact on the effectiveness of its function	42	43.8	45	46.9	6	6.3	3	3.1			100	4.31	.730	
Total items mean					4.252									

Source: Questionnaires and SPSS output (2019)

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The chapter provides a cohesive summary of major findings from analyzed and discussed in chapter four, conclusion, and end up with suggestive recommendations based on findings of the study in relation to the stated purpose. The purpose of this study was to establish the factors influence the effectiveness of internal auditors' with a focus on Commercial Bank of Ethiopia specifically. It was attempting to answer the basic questions.

5.1.1. Summary of major Findings

In line with the objective of this research to assess the factors influencing the internal audit effectiveness in the Commercial Bank of Ethiopia, The study applied cross-sectional descriptive approach to get advantage on draw backs of using only one approach. The researcher has adopted questionnaires to gather firsthand information from the respondents with heterogeneous age bracket, level education, field of study, and service period. Questionnaire, which had five scale of level of responses, was used to assess the responses of sample respondents (directors, managers, team leaders, and internal auditors) about issues of factors influence internal audit effectiveness. The perception of auditors regarding the possible factors towards effectiveness of internal audit was between 3 and 4, which is effective using the criteria of taking 3 as threshold. Then, reliability test was conducted in order to check the inconsistency of the data. As the reliability test confirmed the consistency of the data for the analysis, Reliability is 0.877 for all variables which is very acceptable. The collected data from the respondents was analyzed using Spread Sheet/Excel/ and SPSS and presented using frequency percentage, mean, standard deviation and chi-square test. The analyzed data was presented in table, graph and chart as applicable.

The result of the analysis was then summarized as follows:-

The research found that auditors in Commercial Bank of Ethiopia are sufficiently independent from those that they audit, Particularly freely access any necessary information, feel free to include any audit finding in their audit report, conduct their work without interference and decide on the scope of the audit, (all the items under this category) had influence on internal audit effectiveness at $P\text{-value} < 001$ and the average mean value 3.648. Moreover the top management support to internal audit and managements perception of internal audit value play a critical role next to organizational independence with the average mean of 3.506 and 3.456 respectively, particularly internal audit team get assistance from the auditee and their team leaders and the recognition of audit finding reports and considering internal auditing practice as value adding activity respectively had influence the effectiveness of the internal audit team at a statistical significance level of ($P < 0.05$) and contributed more to IAE.

Further the findings indicate that the availability of competent and adequate number of staff also contribute to the internal audit function and influence internal audit effectiveness. The number and their skill of internal auditor in particular influence the effectiveness of the internal effectiveness at a significant level of $P < 0.001$. However, the average mean value or the level of responses by the respondent for this variable (as compared to above mentioned determinants) was found to be low.

With regard to the availability of approved internal audit charter, the average mean score of all question items was 3.05 which is neutral. And all the question items under this category has not significant to the effectiveness of internal audit where $p > 0.05$ that showed majority of respondent consider that AIAC were insignificant effect on IAE.

And also the findings indicate that majorities of internal audit team members were educated/or profession in the department and can contribute more for the effectiveness of their intended work or internal audit activities. However with regard to professional certifications, like certified internal auditor (CIA), certification on fraud detection audit and Association of Chartered Certified Accountants (ACCA), certified fraud examiner (CFE), and certified information system audit (CISA) the internal audit team member of CBE had not sufficient certified personnel.

Finally in the last open end question the respondents requested as recommendation for future audit to improve the effectiveness of internal audit, most of the respondents recommend is that:-

The internal audit team shall be independence and free from any interference, and the organization shall improve the salary and benefit package attached to the post.

This study finds that the composite measure of management support, managements perception of IA values, organizational independence of internal auditors, the existence of adequate and competent IA staff, and the availability of approved internal audit charter accounts for 85% ($R^2 = 0.085$). That means, the impact of these factors contributed for the internal audit effectiveness were 85%, and the remaining 15% were other variables that are not included in this study.

5.1.2. Conclusions

Due to its important role it plays for the overall management system internal audit is the major mechanism to ensure sound corporate governance. The existences of effective internal audit in the office links with internal control risk management system, improves organizational efficiency and effectiveness, reduce information asymmetry during decision making, and ensures internal reliability of financial reporting process. By taking this aspect into consideration, this study was identified factors that influence internal audit effectiveness and analyzed the influence of the management support to internal audit works, managements perceptions on internal audit value, the independence of internal auditor, the availability of competent and adequate Internal audit staff and also availability of approved internal audit charter, to the internal audit effectiveness.

From the study findings it can be concluded that the variables had influence the effectiveness of the internal audit function to a great extent as contribute to Commercial Bank of Ethiopia.

However, as per their average mean value and spastically significant contribution levels of each variable, it shows that organizational independence significantly affecting the internal audit effectiveness. It means that independence of internal audit is the most important factor that contribute to internal audit effectiveness followed by the Managements perceptions of internal audit value and management support were the major influential factors for the effectiveness of the internal audit in the Commercial bank, However availability of adequate and competent internal audit staff was found to be less contribution to internal audit effectiveness On the other hand, it is uncovered that the Presence of approved internal audit charter were not significantly influence for the internal audit effectiveness in the Commercial bank. And Internal auditors' perception towards availability of approved internal audit charter which was explained using

mean score of question items was low, it shows neutral or no opinion. The probable reason for this result might be many such as lack of awareness about the question items or may not be familiar with the approved internal audit charter available in the organization. Therefore, Organizational independence, management supports and management perceptions of internal audit value were the major factors that influence effectiveness of internal audit in CBE. Whereas, availability of adequate and competent internal audit staff and the presence of approved internal audit charter were not significant impact on the effectiveness of internal audit.

The problems observed in ECBs in related with professional certification of IA teams were lack of sufficient certified person.

This conclusion is supported by the various descriptive and inferential statistics as shown

5.1.3. Recommendations

With due regard to the ever increasing desire to have better effectiveness of internal audit in the Commercial Bank of Ethiopia, there is need to invest in the internal audit function of the organizations so as to meet these expectations. This should be done in a manner in which all the stakeholders are happy. This ensures that they are Effective. This therefore, based on the analysis and subsequent findings from the study, the following recommendations are forwarded which the Commercial Bank of Ethiopia would consider in its attempt for improved internal audit Effectiveness.

- ❖ The finding of this research proved that the organizational independence has statistically significant and positively related with the internal audit effectiveness; Commercial Bank of Ethiopia should emphasize on that predictor. It shall be free from the interference of the management in including and reporting all the critical findings and freely decide on the scope.
- ❖ The internal audit staff shall be assisted by the management while their internal task accomplishments/engagements. i.e. takes timely corrective action based on the recommendation
- ❖ The management positively perceives or consider the internal audit activities as a value adder and support to the organization rather than consider as a fault finder.
- ❖ The bank has to hire, train and staff Competent, skilled and adequate personnel in the IA team.

- ❖ The Ethiopian higher educational institution should contribute for the IAE by working in collaboration with the concerned bodies to accomplish effective internal audit work by supplying the competent internal audit staffs and also to give short term trainings to upgrade the existing IA staffs proficiency in line with the institute of IA standards.
- ❖ CBE had limitations in development of certified and professional auditors. In this regard, encouraging and promoting the internal auditors in Commercial Bank of Ethiopia to obtain professional certification, especially certificate of fraud examiner (CFE), and give a chance and opportunity to take other IA related certification can be considered as a good solution.
- ❖ The presence of Approved internal audit charter has no significance impact on the effectiveness of internal Audit. So, other prominent factors indicated in the research has to be given due attention by the concerned parties in the hierarchical ladder of the organization.

5.1.4. Suggestion for Future Research

The researcher encourages further research to extend the results of this study and improve the results in minimizing the limitation of the study. Therefore, the researcher suggests the following points for future research areas:

- The study limited only Commercial Bank of Ethiopia, replicating this study with inclusion of other banks and consideration of board of directors, Process council or process owners of the organizations to the target population reliance in addition of IAD staff will extend the conclusion of this study and makes it more validate.
- The mentioned variables accounted for 85% the remaining 14% other factors which is not included in the study future research should pay attention to another factors that may affect the internal audit effectiveness.
- With regard to employees benefit package, the problem might real problem that need to be addressed to improve the effectiveness. In this regard, further research should be designed to come up with the real problems that hinders to internal auditors' effectiveness.

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Addis Ababa University
Faculty of Business & Economics
Department of Public Management & Policy

Dear respondent,

The objective of this Questionnaires is to gather firsthand information that will help to assess the factors that influence Internal audit Effectiveness in the Commercial Bank of Ethiopia (CBE) only. This study is undertaken as a partial requirement for the completion of Masters of **Public Management & policy (MPMP)**.

All data and information that will be gathered through these Questionnaires will be used for the sole purpose of the research and remains confidential. Therefore, you are kindly requested to respond to the questions with utmost good faith, freely and to the best of your knowledge. There is no need to write your name on the Questionnaires.

Thank you in advance for your time and kind cooperation.

Melkamsew Kedami Tsega

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Mob. 251 0911192496

Section I. General Profile

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

1. **Sex/Gender/:** Male (_____) Female (_____)
2. **Age (in year):** 25 to 30 (_____), 31 to 35 (_____), 36 to 40 (_____), above 40 years (_____),
3. **Your Service year in the Bank:** 1 up to 5 years (_____), 6 to 10 years (_____),
11 up to 15 (_____), 16 up to 20 (_____), above 20 years (_____),
4. **Your field of study:** Accounting (_____), Management (_____), Economics (_____)
Others (_____)
5. **Your Current Level of education:** Diploma (_____), Bachelor's Degree (_____),
Master's Degree (_____) ` Others (_____)

Section II. Questions related with factors expected to influence internal audit effectiveness

- Please indicate your degree of agreement or disagreement with the following statements by **encircling** the appropriate number 1-Strongly Disagree; 2-Disagree; 3-Neutral; 4-Agree; 5- Strongly Agree

Key: SD= Strongly Disagree; D=Disagree; N= Neutral; A= Agree; SA= Strongly Agree

S/No.	The Management Support	SD	D	N	A	SA
1	The internal audit team has direct support and assistance from the top management	1	2	3	4	5
2	The internal audit team members get assistance from their team leaders	1	2	3	4	5
3	The internal audit team members get expected assistance from auditee during their audit engagement	1	2	3	4	5
4	The internal audit team is provided by adequate and proper resource to conduct audit work by the management	1	2	3	4	5
5	The management does not provide enough support and encouragement for training and development the IA staff	1	2	3	4	5
6	Management takes timely corrective action based on internal audit recommendations.	1	2	3	4	5
7	The response to internal audit reports by the management is reasonable	1	2	3	4	5
Management's Perception of IA's Value						
8	The Top management has enough awareness and good/+ve perception about internal audit functions	1	2	3	4	5
9	The top management considers internal auditing practices as a value adding activity	1	2	3	4	5

	hence has a warm wish to review the audit findings for decision making.					
10	The management recognizes the audit finding reports as a tool which give a clue current financial performance and control mechanisms.	1	2	3	4	5
11	The management appreciates the internal audit recommendations as a tool that contribute to the improvement of risk management, control and governance using a systematic and disciplined approach in the bank	1	2	3	4	5
	Organizational independence					
12	The IA operates totally independently, and conducts their work without interference.	1	2	3	4	5
13	The internal auditors freely decide on the scope, time and extent of auditing procedures based on auditing standards and the Bank's audit policy.	1	2	3	4	5
14	All IA members feel free to include any audit finding in their audit work and report directly to responsible body	1	2	3	4	5
15	IA can freely access any necessary documents, information and data about the Process under investigation and hence always acknowledged	1	2	3	4	5
	Adequate and competent IA Staff					
16	The existing internal audit staff number and their skill is outstanding and matches the scope of internal audit operations and achieved the corporate goal set for the IA	1	2	3	4	5
17	The audit procedures and evidence collections are completed on time, since enough and	1	2	3	4	5

	skilled internal auditors are available or employed for the bank in line with technological advancement and organizational advancements such as branch opening and core banking software / T-24/ introduction and the newly launched software of team mate					
18	Internal auditors are proficient in plan on risk-based Internal auditing		2	3	4	5
19	The internal auditors are free from stress is caused by work over load, so that they can conduct the internal audit effectively		2	3	4	5
20	Internal auditors undertake continuous professional development training per annual to conduct the audit effectively	1	2	3	4	5
21	The number of the internal auditors is enough and all internal auditors have a good testing and analysis skill that help them to conduct the audit work effectively.	1	2	3	4	5
	Approved Internal Audit Charter					
22	The IA charter defined scope of IA activities.	1	2	3	4	5
23	The purpose and authority of internal audit is clearly defined in charter	1	2	3	4	5
24	The purpose and authority of internal audit charter is in line with “Standards for the Professional Practice”	1	2	3	4	5
25	The IA charter specifies authorized access to records, personnel, and physical properties relevant to the performance of engagements	1	2	3	4	5
	Internal Audit Effectiveness					
26	Management support is a corner-stone for the IA Effectiveness	1	2	3	4	5

27	Management Perception of IA's has impact in the effectiveness of its function	1	2	3	4	5
28	Organizational Independence excels all the factors that affect IA effectiveness	1	2	3	4	5
29	Availability of adequate and competent internal audit staff is vital to the effectiveness of the audit processes	1	2	3	4	5
30	Availability of approved internal audit charter has impact on the effectiveness of the internal audit function	1	2	3	4	5

31. Do you have any suggestions or recommendations for future audits to improve internal audit effectiveness?

32. Any other comment

Management Support

Descriptive Statistics

Measurement Items	N	Minimum	Maximum	Mean	Std. Deviation
The internal audit team has direct support and assistance from the top management	96	1.00	5.00	3.4896	.99467
The internal audit team members get assistance from their team leaders	96	1.00	5.00	3.7396	.98670
The internal audit team members get expected assistance from auditee during their audit engagement	96	1.00	5.00	3.7292	.95674
The internal audit team is provided by adequate and proper resource to conduct audit work by the management	96	1.00	5.00	3.5000	1.08579
The management does not provide enough support and encouragement for training and development the IA staff	96	1.00	5.00	2.6667	1.04294
Management takes timely corrective action based on internal audit recommendations	96	1.00	5.00	3.2292	1.06107
The response to internal audit reports by the management is reasonable	96	1.00	5.00	3.3542	.96223
Valid N (listwise)	96				

Management perceptions of Internal Audit Value

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
The Top management has enough awareness and good/+ve perception about internal audit functions	96	1.00	5.00	3.3229	1.02078
The top management considers internal auditing practices as a value adding activity hence has a warm wish to review the audit findings for decision making.	96	1.00	5.00	3.5208	.90588
The management recognizes the audit finding reports as a tool which give a clue on the current financial performance and internal control mechanisms.	96	1.00	5.00	3.5729	.91473
The management appreciates the internal audit recommendations as a tool that contribute to the improvement of risk management, control and governance using a systematic and disciplined approach in the bank	96	1.00	5.00	3.4063	.96876
Valid N (listwise)	96				

Organizational Independence

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
The IA operates totally independently, and conducts their work without interference.	96	1.00	5.00	3.5937	.99025
The internal auditors freely decide on the scope, time and extent of auditing procedures based on auditing standards and the Bank's audit policy	96	1.00	5.00	3.4375	1.06438
All IA members feel free to include any audit finding in their audit work and report directly to responsible body	96	1.00	5.00	3.6979	.91904
IA can freely access any necessary documents, information and data about the Process under investigation and hence always acknowledged	96	1.00	5.00	3.8646	.92475
Valid N (listwise)	96				

Adequate and competent Internal Audit Staff

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
The existing internal audit staff number and their skill is outstanding and matches the scope of internal audit operations and achieved the corporate goal set for the IA	96	1.00	5.00	3.1667	.93659
The audit procedures and evidence collections are completed on time, since enough and skilled internal auditors are available or employed for the bank in line with technological advancement and organizational advancements such as branch opening and core b	96	1.00	5.00	3.4063	.92427
Internal auditors are proficient in planning on risk-based Internal auditing	96	1.00	5.00	3.4687	.91713
The internal auditors are free from stress that is caused by work over load, so that they can conduct the internal audit effectively	96	1.00	5.00	3.2083	1.06540
Internal auditors undertake continuous professional development training per annual to conduct the audit effectively	96	1.00	5.00	3.4792	.96223
The number of the internal auditors is enough and all internal auditors have a good testing and analysis skill that help them to conduct the audit work effectively.	96	1.00	5.00	3.0521	1.07967
Valid N (listwise)	96				

Approved Internal Audit Charter

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
The IA charter defined scope of IA activities.	96	1.00	5.00	3.0104	.83973
The purpose and authority of internal audit is clearly defined in charter	96	1.00	5.00	3.0417	1.00438
The purpose and authority of internal audit charter is in line with "Standards for the Professional Practice"	96	1.00	5.00	2.9687	.95645
The IA charter specifies authorized access to records, personnel, and physical properties relevant to the performance of engagements	96	1.00	5.00	3.2083	.93939
Valid N (listwise)	96				

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.291 ^a	.085	.034	.47769

a. Predictors: (Constant), Availability of approved internal audit charter has impact on the effectiveness of its function, Organizational Independence excels all the factors that affect IA effectiveness, Management support is a corner stone for the internal audit effectiveness, Availability of adequate and competent internal audit staff is vital to the effectiveness of the audit processes, Management Perception of IA's has impact in the effectiveness of its function

Management Support

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	27.350 ^a	16	.038
Likelihood Ratio	23.444	16	.102
Linear-by-Linear Association	.574	1	.449
N of Valid Cases	96		

a. 19 cells (76.0%) have expected count less than 5. The minimum expected count is .04.

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	33.305 ^a	16	.007
Likelihood Ratio	17.753	16	.339
Linear-by-Linear Association	1.284	1	.257
N of Valid Cases	96		

a. 18 cells (72.0%) have expected count less than 5. The minimum expected count is .02.

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	34.166 ^a	16	.005
Likelihood Ratio	37.899	16	.002
Linear-by-Linear Association	.188	1	.665
N of Valid Cases	96		

a. 20 cells (80.0%) have expected count less than 5. The minimum expected count is .04.

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	19.519 ^a	16	.243
Likelihood Ratio	18.494	16	.296
Linear-by-Linear Association	2.113	1	.146
N of Valid Cases	96		

a. 16 cells (64.0%) have expected count less than 5. The minimum expected count is .05.

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	8.781 ^a	16	.922
Likelihood Ratio	12.565	16	.704
Linear-by-Linear Association	1.542	1	.214
N of Valid Cases	96		

a. 18 cells (72.0%) have expected count less than 5. The minimum expected count is .03.

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	18.456 ^a	16	.298
Likelihood Ratio	18.351	16	.304
Linear-by-Linear Association	.539	1	.463
N of Valid Cases	96		

a. 18 cells (72.0%) have expected count less than 5. The minimum expected count is .05.

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	10.904 ^a	16	.815
Likelihood Ratio	12.137	16	.735
Linear-by-Linear Association	.013	1	.908
N of Valid Cases	96		

a. 18 cells (72.0%) have expected count less than 5. The minimum expected count is .03.

Management perceptions of Internal Audit Value

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	57.365 ^a	16	.000
Likelihood Ratio	35.114	16	.004
Linear-by-Linear Association	7.690	1	.006
N of Valid Cases	96		

a. 19 cells (76.0%) have expected count less than 5. The minimum expected count is .13.

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	39.024 ^a	16	.001
Likelihood Ratio	35.779	16	.003
Linear-by-Linear Association	.315	1	.575
N of Valid Cases	96		

a. 20 cells (80.0%) have expected count less than 5. The minimum expected count is .06.

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	33.801 ^a	16	.006
Likelihood Ratio	32.138	16	.010
Linear-by-Linear Association	.000	1	.988
N of Valid Cases	96		

a. 19 cells (76.0%) have expected count less than 5. The minimum expected count is .04.

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	24.769 ^a	16	.074
Likelihood Ratio	23.448	16	.102
Linear-by-Linear Association	.644	1	.422
N of Valid Cases	96		

a. 19 cells (76.0%) have expected count less than 5. The minimum expected count is .08.

Organizational Independence

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	60.491 ^a	12	.000
Likelihood Ratio	30.642	12	.002
Linear-by-Linear Association	3.357	1	.067
N of Valid Cases	96		

a. 13 cells (65.0%) have expected count less than 5. The minimum expected count is .08.

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	42.862 ^a	12	.000
Likelihood Ratio	31.932	12	.001
Linear-by-Linear Association	.037	1	.847
N of Valid Cases	96		

a. 15 cells (75.0%) have expected count less than 5. The minimum expected count is .15.

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	68.360 ^a	12	.000
Likelihood Ratio	39.152	12	.000
Linear-by-Linear Association	4.614	1	.032
N of Valid Cases	96		

a. 14 cells (70.0%) have expected count less than 5. The minimum expected count is .08.

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	106.393 ^a	12	.000
Likelihood Ratio	32.591	12	.001
Linear-by-Linear Association	9.746	1	.002
N of Valid Cases	96		

a. 13 cells (65.0%) have expected count less than 5. The minimum expected count is .04.

Adequate & Competent Internal Audit Staff

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	8.698 ^a	8	.368
Likelihood Ratio	10.098	8	.258
Linear-by-Linear Association	1.563	1	.211
N of Valid Cases	96		

a. 9 cells (60.0%) have expected count less than 5. The minimum expected count is .06.

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	15.420 ^a	8	.051
Likelihood Ratio	18.818	8	.016
Linear-by-Linear Association	.843	1	.359
N of Valid Cases	96		

a. 9 cells (60.0%) have expected count less than 5. The minimum expected count is .04.

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	15.670 ^a	8	.047
Likelihood Ratio	16.977	8	.030
Linear-by-Linear Association	.740	1	.390
N of Valid Cases	96		

a. 10 cells (66.7%) have expected count less than 5. The minimum expected count is .08.

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	11.591 ^a	8	.170
Likelihood Ratio	11.795	8	.161
Linear-by-Linear Association	2.549	1	.110
N of Valid Cases	96		

a. 9 cells (60.0%) have expected count less than 5. The minimum expected count is .15.

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	18.936 ^a	8	.015
Likelihood Ratio	19.050	8	.015
Linear-by-Linear Association	.014	1	.905
N of Valid Cases	96		

a. 9 cells (60.0%) have expected count less than 5. The minimum expected count is .08.

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	28.670 ^a	8	.000
Likelihood Ratio	26.961	8	.001
Linear-by-Linear Association	8.156	1	.004
N of Valid Cases	96		

a. 7 cells (46.7%) have expected count less than 5. The minimum expected count is .02.

Approved Internal Audit Charter

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	13.558 ^a	12	.330
Likelihood Ratio	16.309	12	.177
Linear-by-Linear Association	.612	1	.434
N of Valid Cases	96		

a. 14 cells (70.0%) have expected count less than 5. The minimum expected count is .02.

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	12.967 ^a	12	.371
Likelihood Ratio	15.354	12	.223
Linear-by-Linear Association	.929	1	.335
N of Valid Cases	96		

a. 14 cells (70.0%) have expected count less than 5. The minimum expected count is .04.

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	16.614 ^a	12	.165
Likelihood Ratio	18.592	12	.099
Linear-by-Linear Association	3.544	1	.060
N of Valid Cases	96		

a. 14 cells (70.0%) have expected count less than 5. The minimum expected count is .04.

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	13.612 ^a	12	.326
Likelihood Ratio	14.778	12	.254
Linear-by-Linear Association	1.293	1	.255
N of Valid Cases	96		

a. 14 cells (70.0%) have expected count less than 5. The minimum expected count is .06.

