



ST.MARY'S UNIVERISTY
SCHOOL OF GRADUATE STUDIES

FACTORS AFFECTING INTERNAL AUDIT
EFFECTIVENESS IN ETHIO TELECOM.

BY
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ADDIS ABABA, ETHIOPIA



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DECLARATION

I undersigned declare that this research report is my original work and has not been presented for a degree in any other university, and all the materials used for this study have been duly acknowledged.

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Abstract

The study aims to analyze factors affecting internal audit effectiveness in Ethio Telecom. Specifically, internal audit quality, proficiency of internal auditors, independence of internal audit and management support have been investigated as independent variables of internal audit effectiveness. Primary source of data was used in this study. The target populations were internal auditors in Ethio Telecom. Census inquiry sampling techniques was used and the data collection method was structured questionnaire .Descriptive statistic was used to provide details regarding the demographic question and factors that affect internal audit effectiveness. To analyze the relationship between independent and dependent variables multiple regression analysis was used. The findings indicate that proficiency of internal auditors and internal audit quality has significant positive relationship with internal audit effectiveness. However, independence of internal audit and management support have statistically insignificant relationship with internal audit effectiveness. It is recommended that Ethio Telecom management should improve its internal audit effectiveness by developing knowledge, skill and other competencies of its internal auditors through training and certification.

Key Words: *Internal Audit; Ethio Telecom; internal audit effectiveness; factors of internal audit effectiveness;*

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Table of Contents

DECLARATION	ii
<i>Abstract</i>	iii
Acknowledgement	iv
Table of Contents	1
List of Tables	4
List of Abbreviations and Acronyms	5
CHAPTER ONE	6
1. INTRODUCTION	6
1.1 Background	6
1.2. Statement of the problem	7
1.3 Research Questions	8
1.4 Objectives of the Study	9
1.4.1 General objective	9
1.4.2 Specific objective	9
1.5 Research Hypothesis	9
1.6 Significance of the study	10
1.7 Scope of the study	10
1.8 Limitation of the Study	10
1.9 Organization of the Research Report	10
CHAPTER TWO	11
2. LITERATURE REVIEW	11
2.1. Introduction	11
2.2 Theoretical Literature review	11
2.2.1 Definition of Internal Auditing	11
2.2.2 Internal Auditors	12
2.2.3 Types of Audits Performed by Internal Auditors	12
2.2.4 Internal Audit Effectiveness	13
2.3 Empirical Review	15
2.3.1 Internal Audit Effectiveness	15

2.3.2 Internal audit quality.....	17
2.3.3 Proficiency of Internal Auditors	18
2.3.4 Independence of internal audit	18
2.3.5 Management Support	19
2.4 Summary and Research Gap.....	20
CHAPTER THREE	22
3. RESEARCH DESIGN AND METHODOLOGY	22
3.1 Introduction.....	22
3.2. Research Design.....	22
3.3. Sampling Techniques.....	22
3.4 Data Collection Instrument and Source	22
3.5. Measurement of variables	23
3.5.1. Dependent Variable.....	23
3.5.2. Independent Variables.....	23
3.6. Data Analysis Method.....	24
3.7. Model Specification	24
CHAPTER FOUR.....	25
4.RESEARCH FINDINGS:ANALYSIS AND DISCUSSION	25
4.1. Introduction.....	25
4.2. Descriptive Statistics On Demographic Variables	25
4.2.1 Response Rate	25
4.2.2 Respondents Profile	25
4.3 Descriptive Statistics On Dependent and Independent Variables.....	27
4.4. Reliability Analysis.....	30
4.4. Multiple Regression Assumptions	30
4.4.1. Normality Assumption.....	31
4.4.2 Multicollinearity assumption	31
4.4.3 Homoscedasticity Assumption.....	33
4.4.4Auto-correlation Assumption.....	33
4.5. The Regression Results and Hypothesis Testing.....	34
4.5.1. Regression Analysis Results	34
4.5.2. Hypotheses Test	36

CHAPTER FIVE 40

5. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS 40

 5.1. Summary of Finding 40

 5.2. Conclusion 41

 5.3. Recommendations 42

Reference 43

Appendix A: Questionnaire 48

Appendix B. Frequency percent 54

List of Tables

- Table 1:- Respondents general Profile
- Table 2:- Distribution of Dependent and Independent variables
- Table 3:- Reliability Statistics
- Table 4:- Variable Distribution for Normality Test
- Table 5:- Correlation Matrix
- Table 6:- Collinearity Statistics
- Table 7:- Breusch-pagan and Koenker tests
- Table 8:- Durbin-Watson Statistics
- Table 9:- ANOVA
- Table 10:- Model Summary
- Table 11:- Regression Coefficients

List of Abbreviations and Acronyms

IA	Internal Audit
IAE	Internal Audit Effectiveness
IAQ	Internal Audit quality
PIA	Proficiency of Internal Auditors
IN IA	Independence of Internal audit
MS	The Managements Support
KPI	Key performance indicators
3E	Economy, efficiency and effectiveness
IIA	Institute of internal auditors
CIA	Certified internal auditors
ACCA	Association of Chartered Certified Accountants
IPPF	International Professional Practices Framework
ISPPIA	International Standards for the Professional Practice of Internal Auditing
VIF	Variance Inflation Factor
LM	Lagrange multiplier

CHAPTER ONE

1. INTRODUCTION

1.1 Background

Telecommunication is one of the prime support services needed for rapid growth and modernization of various sectors in country economy. The telecom sector could have a multiplier effect on developing country economy, and could play a vital role in accelerating economic growth by enhancing efficiency. Pursuant to this grand advantage, Ethiopian government has decided to focus on the improvement of telecommunication services, considering them as a key lever in the economic growth of the country. Thus, Ethio Telecom is born from this ambition of supporting the steady growth of the country .The company has a vision to be a world-class provider of telecom services. Further, the company has an objective to implement state of the art processes, to develop reliable network infrastructures and to provide best quality of services for its customers.

Internal audit function can assist Ethio Telecom in achieving its goal. Researchers and practitioners have widely discussed the need for internal audit function in adding more value to companies operations, and contributing to the achievement of corporate objectives. (Arena and Azzone n.d). Internal audit is a crucial function within organizations and it is an indispensable control mechanism and management tool for achieving control in both public and private organization (Endaya and Hanefah 2013; Cohen and Sayag 2010)

Due to the fact that Ethio Telecom is the only telecom service provider in Ethiopia, its activity is wide and complex. Besides, it works in dynamic information technology environment. All these conditions can expose the company to several risks. In this respect, the complexity of its operation and the technology environment necessitate effective internal audit. Effective internal audit function can provide assurance on the effectiveness of risk management, internal control system and governance system and help to improve the operational performance of the company based on the 3E's (Economy, efficiency and effectiveness).Thus, it is very important to conduct a research on factors affecting the internal audit effectiveness in this company.

The aim of this study was to analyze specific factors that affect internal audit effectiveness in cases of Ethio Telecom . Specifically, the paper examined internal audit quality, proficiency of internal auditors, independence of internal audit and management support as a factor affecting internal audit effectiveness.

1.2. Statement of the problem

Many researchers call for further study on determinants of internal audit effectiveness (Mihret and Yismaw 2007;Cohen and Sayag 2010;Badara and Saidin 2013; Endaya and Hanefah 2013;Hailemariam 2014).Specifically, Mihret and Yismaw (2007) recommended further research on Ethiopian public sectors to present any difference in the level of internal audit effectiveness and to define variables affecting internal audit effectiveness. Besides, there is no common and best framework that shows independent and dependent variables in examining internal audit effectiveness or no consensus have reached among writers regarding determinants of internal audit effectiveness (George et al,2015). Prior Researchers identified and discussed different variables based on different scenario using different approach. To mention some of them, Mihret and Yismaw (2007) identified and evaluated management support, organizational setting and auditee attributes as factors influencing internal audit effectiveness in Ethiopian higher educational institute. Cohen &Sayag(2010) studied sector(private and public),Professional proficiency ,quality of audit work ,organizational independence, career and advancement and top management factors in Israeli organization to identify their influence on internal audit effectiveness. Baharud-din,Shokiyah and Ibrahim(2014) examined contribution of auditors competency , independence, objectivity and management support as a factors of internal audit effectiveness in Malaysian public sector. Moreover, Hailemariam (2014) discussed management support, management perception, organizational independence, adequate and competent internal Audit staff and presence of approved internal audit charter in selected Ethiopian public sectors. The recent researcher George et al, (2015) also examined quality of internal audit, competency of internal audit team, independence and management support as a factors that affect internal audit effectiveness.

From the aforementioned literatures it is apparent that analyzing different variables in relation to internal audit effectiveness on different cases is very important contribution for future literatures in developing theoretical framework for internal audit effectiveness.

In addition, Internal audit capabilities and need survey conducted by Protiviti(2012) on telecommunication companies stated that internal audit function and their leaders are playing a key supporting roles in a variety of strategic demands while working carefully to increase the efficiency of risk management activities and core business process. Further, the study suggested that internal audit should focus on using technology in auditing key business process control effectively, addressing and managing exciting and emerging risk holistically, enhancing efficiency through technology enabled auditing and nurturing internal collaboration and networking externally. Hence, the rising roles of internal audit in telecom companies necessitate effective internal audit function. Besides, conducting a study on factors affecting internal audit effectiveness on Ethio Telecom is rational and will provide important insight for the company management on determinant factors affecting internal audit effectiveness

To select variables for the study, the researched used International Standards for the Professional Practice of internal auditing and prior literatures variables identified as significant factor. Mihret et al, (2010) in their study argued that internal audit's level of compliance with the international standards for the professional practice of internal auditing could serve as an additional approach to assess internal audit effectiveness. Thus, the independent variables in this study are internal audit quality, proficiency of internal auditors, independence of internal audit and management support .Whereas, the dependent variables of the study is internal audit effectiveness.

1.3 Research Questions

This research has proposed to answer the following research questions;

RQ1. To what extent does internal audit quality affect internal audit effectiveness?

RQ2. To what extent does proficiency of internal auditors affect internal audit effectiveness?

RQ3. To what extent does independence of internal audit affect internal audit effectiveness?

RQ4. To what extent does management support affect internal audit effectiveness?

1.4 Objectives of the Study

1.4.1 General objective

The general objective of this study is to analyze specific factors affecting internal audit effectiveness in Ethio Telecom

1.4.2 Specific objective

Specifically, the study has the following objectives.

- To indicate the level of internal audit effectiveness and factors of internal audit effectiveness in Ethio Telecom
- To investigate the effect of internal audit quality on internal audit effectiveness in Ethio Telecom
- To analyze the effect of proficiency of internal auditors on internal audit effectiveness in Ethio Telecom
- To examine the effect of independence of internal audit on internal audit effectiveness in Ethio Telecom and finally
- To examine the effect of management support on internal audit effectiveness in Ethio Telecom

1.5 Research Hypothesis

Mihret and Yismaw (2007) indicate that internal audit quality and management support strongly influence internal audit effectiveness and Baharud-din, et al, (2014) shows that auditor's competency, auditors' independence and objectivity and management support have significant positive relationship with internal audit effectiveness. Overall, after reviewing the findings of George et al, (2015);Hailemariam(2014), Baharud-din,Shokiyah and Ibrahim(2014); Cohen and Sayag(2010);and Mihret and Yismaw (2007) in relation internal audit quality, proficiency of internal auditors, independence of internal audit and management support with internal audit effectiveness the researcher designed the following hypothesis:-

H1: Internal audit quality has significant relationship with internal Audit effectiveness

H2: Proficiency of internal auditors has significant relationship with internal audit effectiveness

H3: Independence of internal Audit has significant relationship with internal audit effectiveness

H4: Management support has significant relationship with the internal audit effectiveness

1.6 Significance of the study

The study is significant in two ways. First, it provides vital insight for management and internal audit division of the company on factors affecting internal audit effectiveness and helps to focus on those factors to improve internal audit function of the company. Second, the study will assist future researchers to conduct further study on internal audit effectiveness on telecom sector.

1.7 Scope of the study

The study covered all internal audit team in Ethio Telecom to address the research questions and the objective of the study. The focus points were the selected factors affecting internal audit effectiveness. Specifically, the study investigated internal audit quality, proficiency of internal auditors, independence of internal audit and management support.

1.8 Limitation of the Study.

Like any other study, the study has its own limitations. The first limitation is that it was completely based on perceptions of the internal audit team of Ethio Telecom. It is believed that, individuals' perceptions may not accurately measure the fact under investigation. Furthermore, Mihret (2011) indicated the interpretation of any single case study conclusion should be done with caution as further study might be required before fully applied the conclusion on the population. Thus, the second limitation of the study is, as in all case studies generalizability of the conclusion is limited.

1.9 Organization of the Research Report

The paper is organized in five chapters. The first chapter shows the general introduction of the study. The second chapter presents the basic theoretical concepts of internal audit and synthesizes, Paraphrases and summarizes theoretical and empirical literatures in relation to the dependent and independent variables of the current study. The third chapter outlines the research design and methodology. The fourth chapter presents result and discussion of the analysis on questionnaires data. The last chapter shows the conclusions and recommendation of the researcher.

CHAPTER TWO

2. LITERATURE REVIEW

2.1. Introduction

This chapter presents review of literature related to internal audit, internal audit effectiveness and factors affecting internal audit effectiveness. It presents definition of internal auditing, and types of internal auditing, internal audit effectiveness and factors affecting internal audit effectiveness. In general, this chapter synthesizes and summarizes existing empirical research findings and conclusion on internal audit quality, Proficiency of internal auditors, independence of internal audit and management support in relation to internal audit effectiveness and ends by summarizing the review and identifying the gap in the existing literature.

2.2 Theoretical Literature review

2.2.1 Definition of Internal Auditing

The traditional definition of internal auditing was " an independent appraisal function established within an organization to examine and evaluate its activities as a service to the organization" (Hailemariam 2014). However, this definition shows only one aspects of internal auditing practice. Internal Auditing is evolved through time and its definition has also changed. Hence the following definition is given by Institute of Internal Audit:

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

The new definition shows the fundamental purpose, nature, and scope of internal auditing and also shows how internal auditing shift from traditional definition to contemporary definition.

IIA also explains what perspectives the new definition of internal auditing embraces:

1. It is an objective activity and can also be out sourced.
2. It is assurance and consulting activity. It is proactive, customer focus and focused on key area in control, risk management and corporate governance.

3. Internal auditing is established to create value and progress in organizations activity.
4. The new definition perceives internal auditing's mandate much more broadly, charging it with helping the organization accomplish overall objectives.
5. The job of internal auditing includes risk management, control and governance process.
6. The new definition accepts that the internal auditing profession's legacy, consisting of its unique franchise in being a standards-based profession (Ramamoorti 2003).

2.2.2 Internal Auditors

According to the Institute of Internal Auditor Research Foundation (2008) " an internal auditor is a forward looking individual, who knows and understands business systems and ensures the management that they operate rightly and achieve firm goals". In today's business world, internal auditors play key role in businesses. Internal auditors review organizational goals, processes and operations and provide professional advice to the management (Saud and Marchand 2012).Internal Auditors can be used as a pool for future managers. This shows that internal auditors can develop knowledge, skill and competency that are needed at the management level in their day to day activities. Hence, they are the most important employees in an organization. (Sarens and De Beeld 2006a). Yee et al, (2007) noted that internal auditors are needed for giving advice in all aspects of the organization. They serve as a trainer, risk manager, internal and external stakeholder advocates, control expert, efficiency specialist, problem solver and a safety net for an organization.

2.2.3 Types of Audits Performed by Internal Auditors

- **Operation Audits (performance Audit):-**is a forward looking evaluation of operations to identify areas in which economy, efficiency and effectiveness (the three E's) may be improved or to evaluate compliance with and the adequacy of operational policies, plans and procedures. It involves evaluation of inputs, process and outputs
- **Financial Audits:** involves ascertaining the reliability and integrity of financial and operating information, evaluating the effectiveness of internal control over the processing of information and verifying that the resources of an organization have been properly safeguarded and accounted for.
- **Compliance audits:** a compliance audit determines the extent to which rules, policies, laws, covenant, or governmental regulations are followed by the entity being audited.

- **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. (Hailemariam 2014)

2.2.4 Internal Audit Effectiveness

Arena and Azzone (2009) defined effectiveness “as the capacity to obtain results that are consistent with targets objective,” Internal Audit effectiveness has been defined by different researchers .For instance, Mihret and Yismaw (2007) defined internal audit effectiveness as “the extent to which an internal audit office meets its supposed objective or the extent to which it meets the intended outcome”. Audit effectiveness is the outcome of the auditors’ activities, duties, professional practices and responsibilities through a high commitment with audit standards, goals, objectives, policies and procedures (Badara and Saidin 2013). Internal audit effectiveness is means the same thing because they all have central target, which is the ability of achieving established objective. Effective internal audit system helps in achieving performance, profitability and prevents in loss of revenues particularly in public sectors (Badara and Saidin 2013). Institute of Internal Audit defined internal audit effectiveness “as the degree (including quality) to which established objectives are achieved”. Therefore, the above definitions show that, audit effectiveness or internal audit effectiveness as the ability of the auditors either internal or external to achieved established objective within the organization.

Many organizations are showing concerned to their internal auditors in order to give guidance and advice at different levels of management. 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 et al, 2010). Hence, an effective internal auditor is the one who assists his organization in meeting their objectives; therefore, public sector organizations

should ensure that their internal audit is effective so as to create value and effectiveness in such organization.

Effective internal auditor professionals should provide the following characteristics: The ability to align the structure of internal audit with the dynamics of the organizational operation; There should be strong relationship between management skills for maintaining appropriate visibility and audit committee needs and expectations; There should be strong service delivery capabilities (consistency in approach, standards, and delivery), including the abilities to maintain audit focus and alignment of resources to the plan; There should also be strong management skills which will ensure that internal audit teams have appropriate skilled and motivation . Beside the above, the level of training, education, experience as well as professional qualifications of the internal auditors influenced the effectiveness of internal audit (Badara and Saidin 2013).

Furthermore, effective internal audit function could be a major asset for improving public confidence in financial reporting and corporate governance if it contains these element; Organizational independence, a formal mandate (existence of approved audit charter, unrestricted access, sufficient funding, competent leadership, competent staff, existence of audit committee, stakeholder support, professional audit standards and unlimited scope (Badara and Saidin 2013).However, the following variables influence internal audit effectiveness; qualified and adequate staff, professionalism, and relationship with the audit committee.

Organizations should encourage such effectiveness because it might aid their objective achievement. Internal auditing should establish performance metrics and related measurement criterion appropriate to its environment/ organization to measure the degree (including quality) of achievement of objectives for which the internal audit activity is established. Internal audit effectiveness and efficiency should be monitored and assessed periodically as part of the internal audit process organizations should encourage such effectiveness because it might aid their objective achievement.

2.3 Empirical Review

2.3.1 Internal Audit Effectiveness

Internal audit effectiveness “the extent to which an internal audit office meets its *raison d'être*” (Mihret and Yismaw 2007). After \$3.2 billion accounting fraud is uncovered by Cynthia Cooper, vice president of the World Com’s internal audit office in 2002, internal audit has got great attention. As a result the demand of effective internal audit is increasing in organizations (Yee, et al, 2007).

Though internal audit effectiveness is an inevitable condition for an organization goal achievement, it has given less attention by researchers in exploring the subject deeply. Internal audit effectiveness is an important concept rarely examined in the scientific literature (Cohen and Sayag 2010). The following paragraphs summarized the key findings and conclusions made by few literatures in relation to internal audit effectiveness and its determinant factors.

A study conducted by Mihret and Yismaw (2007) on Ethiopian large public sector higher educational institution, concluded that internal audit quality and management support strongly influence internal audit effectiveness. However, organizational setting and auditee attributes do not have a strong impact on internal audit effectiveness. This researcher used internal audit personnel and the internal audit director as a primary source of data. Thus, the findings are based on the perception of internal audit team only.

Baharud-din, et al, (2014) investigated factors affecting internal audit effectiveness in Malaysian public sector and they concluded that auditor’s competency, auditors’ independence and objectivity and management support have significant positive relationship with internal audit effectiveness. The authors further concluded that all determinants of internal audit effectiveness drive from the support of top management. Similar to the above study, this study finding was based on perceptions of internal auditors.

HaileMariam (2014) also conducted a study on internal audit effectiveness based on selected Ethiopian public sectors and indicated that management support, the existence of adequate and competent internal audit staff and availability of approved internal audit charter have significant and positive contribution for internal audit effectiveness. Whereas, management perception and organizational independence of internal auditors have insignificant positive contribution for

internal audit effectiveness. HaileMariam (2014) used both management team and internal auditors as a source of data. He also assessed the reliability and consistency of the instrument through cronbach's Alpha .Relative to the above two study this study conducted in many sample size or on 15 public office and analyzed in multiple regression model.

A study on Greek business environment by George et al, (2015) concluded that quality of internal audit, competence of internal audit, independence of internal audit and management support are the main factors affecting internal audit effectiveness. They also identified independence of internal audit is the foundation of internal audit effectiveness. Their finding also based on internal auditors perception only. Badara and Saidin(2013) examined the relationship between audit experience and internal audit effectiveness and they identified that audit experience can influence the effectiveness of internal auditors in the public sector organization. However, the paper is not validated empirically it is only a literature review it needs further analysis.

Arena, M. and Azzone, G. (n.d) argued that competence and professional proficiency of internal auditors, an adequate promotion of internal audit at company level and the mode of interaction between auditors and auditees during audit investigation are controllable factors by internal auditors and they are driver of internal audit effectiveness. Whereas, resource available to the audit functions, risk profile and KPI of an organization are uncontrollable factors by internal auditors but have impacts on internal audit effectiveness. This study considers "adequate promotion of internal audit at company level " as a controllable factor by internal auditors but in most cases it is affected by top management support.

Empirical research conducted on Israel organizations by Cohen and Sayag (2010) showed that Internal audit effectiveness is a multidimensional construct and the quality of the internal auditor's work, the evaluations of the auditees and the added contribution of internal audit are the three dimensions that encompass the concept of IA effectiveness.

Hung and Han (2013) conducted an empirical study on 210 manufacturing firms in Taiwan and identified detail factors affecting internal audit effectiveness like management attitude, controller's attitude, the probability of internal auditors' promotion, the implementation of performance evaluation, the establishment of job description, training and professional abilities of internal auditors and organization formalization. The paper examined internal audit

effectiveness in holistic approach by investigating the perception of management, audited department heads and heads of internal auditing department.

Effective internal audit has many advantages for management of an organization. When senior management bother about governance system and face fraud case, they actively look for effective internal audit (Mihret and Yismaw 2007). The study conducted on relationship between senior management and internal audit by Sarens and De Beelde (2006) in Belgium indicated that effective internal audit can meet the expectation of senior management. Senior management expect internal audit to fill gap resulting from complexity of today's organizational activities, also expect them to keep organizational culture, to collaborate with external auditors, to provide independent assurance on efficiency and effectiveness of operational and internal control system; to contribute for the improvement of operation and internal control system; to formalize risk management; to contribute in development and improvement of uniform and standardize internal control system, to be future managers. Hailemariam (2014) also indicated that the existences of effective internal audit links with internal control risk management system, improves organizational efficiency and effectiveness, reduce information irregularity during decision making, and ensures internal reliability of financial reporting process

2.3.2 Internal audit quality

Internal audit quality is giving valuable finding and recommendation for management. It can be achieved by proficient internal auditors, proper planning, field work monitoring and controlling, scope of service and effective communication with auditee and higher management. (Mihret and Yismaw2007).Those author further identified that bulky appearance and low quality audit report, fail to have highlight of past audit results, unable to prepare strategic plan, fail to conduct follow up audit, improper documentation, limited distribution of audit report and poor communication are the manifestation of poor internal audit quality. Finally, they concluded that internal audit quality significantly affect internal audit effectiveness. George et al, (2015) also indicated that internal audit quality significantly affect internal audit effectiveness.

As many writers expressed internal audit quality as a very important factor for effective internal audit function. Taking it as one variables and examining it further in case of Ethio telecom provides important input for the company management.

2.3.3 Proficiency of Internal Auditors

Proficiency of internal auditor is one of the attribute International Standards for the Professional Practice of Internal Auditing. Internal auditors must possess the knowledge, skills, and other competencies needed to perform their individual responsibilities. The internal audit activity collectively must possess or obtain the knowledge, skills, and other competencies needed to perform its responsibilities (IPPF 2012). Internal audit engagements must be performed with proficiency. Competency of internal audit team is examined by many researchers as an important factor for effective internal audit.

A study conducted by Mihret and Yismaw (2007) indicated that internal Auditors with low technical proficiency can't provide effective services for management. Improving competency level of internal auditors is necessary for effective internal audit function. A cross sectional survey conducted by Baharud-din et al (2014) in Malaysian public sector also indicated that lack of proficiency in internal auditors creates delay in internal audit assignment.

Mihret (2011) recommended that internal auditors need to have certifications like CIA, ACCA to cope with ever changing environment. Further, indicated that low staff expertise will have great influence on internal audit quality. George et al, (2015) argued internal audit competency is positively associated with internal audit effectiveness but its level of significant is less than internal audit quality, independence and management support.

Along with the above writers, the researcher selected Proficiency of internal Auditors as a factor for further investigation in case of Ethio Telecom. Most of the researchers use the word competency. However, the current study used the word proficiency as this word represents skill, knowledge and other competency of internal auditors (IPPF 2012)

2.3.4 Independence of internal audit

The internal audit activity must be independent, and internal auditors must be objective in performing their work. The Institute of Internal Auditors explained the interpretation of independence as:-

Independence is the freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner. To achieve the degree of independence necessary to effectively carry out the responsibilities of the internal audit activity, the chief audit executive has direct and unrestricted access to

senior management and the board. This can be achieved through a dual-reporting relationship. Threats to independence must be managed at the individual auditor, engagement, functional, and organizational levels.

George et al, (2015) argued internal audit independence is the most important factor for internal audit effectiveness. Baharud-din et al, (2014) also concluded that auditors' independence significantly and positively affect internal audit effectiveness. In contrast, Yee et al (2007) has been concluded that internal audit dependence is not a most important factor for internal audit effectiveness. This conclusion also supported by Hailemariam(2014) ,Who showed internal auditors' independence have positive but not significant effect on internal audit effectiveness.

Though, few researchers indicated that independence has less impact on internal audit effectiveness, it is selected as one independent variables in the current study to test its effect on internal audit effectiveness in case of Ethio Telecom cases and to compare with prior researchers findings

2.3.5 Management Support

Management support for internal audit function is manifested by giving attention for internal audit recommendation, staffing the audit unit with qualified employees, fulfilling the necessary resources, transport, providing training, introducing auditors with new technology and procedures, budgeting funds for certification and other facilities that support the internal auditing operation (Hailemariam 2014).

Sarens and De Beeld (2006a) also stated that giving input for annual audit plan, requesting special support or consultancy service; conducting follow up on the result of internal audit; and strengthening the unit are reflection of management support. Moreover, hiring proficient IA staff, developing career channels for IA staff, and providing organizational independence for IA work are all results of decisions made by top management (Cohen and Sayag 2010; Baharud et al,2014).Several recent studies indicated that support for internal auditing by top management is an important determinant of its effectiveness. Mihret and Yismaw (2007) found that management support significantly affects internal audit effectiveness. Poor management support for internal audit may affect perception of auditee on internal audit performance and also affect the motivation of internal auditors to contribute their best capacity for the effectiveness of internal audit function. Internal auditors can get acceptance from all employees of the organization when they get support from management (Sarens and De Beeld 2006a).

Belgian case studies by Sarens and De Beeld (2006a) show that internal audit can meet expectation of top management when they get proper support from them. Baharud-din. et al, (2014) also concluded that all determinants of internal audit effectiveness derive from the support of top management. George et al, (2015) argued that management support is positively associated with internal audit effectiveness and significantly affect other factors. Cohen and Sayag(2010) found that there is very high correlation between top management support and internal audit effectiveness. Further the authors noted that perceived top management support was the only variable that was strongly and consistently related to the three auditing effectiveness dimensions and it is vital for internal audit objective achievement. All the other determinants of IA effectiveness derive from the support of top management. When employees at all levels perceive that top management assigns importance to the function of IA, they will cooperate and support these processes.

Generally, almost all literatures written on internal audit effectiveness identified management support as a crucial factor for internal audit effectiveness.

2.4 Summary and Research Gap

In previous literatures series factors such as management support, Internal audit quality, organizational setting, auditee attributes, auditor competency, Auditors independence/objectivity, management perception and internal audit charter have been investigated as a factors affecting internal audit effectiveness. Management support was identified as significant factor affecting internal audit effectiveness by five authors which are Mihret,Yismaw(2007);Cohen and Sayag(2010), Hailemariam(2014); Baharud-din et al, (2014) and Georg et al, (2015).Internal audit quality was identified as significant factor for internal audit effectiveness in two study (Mihret and Yismaw 2007 ; George et al, 2015).Three writers indicated that internal audit effectiveness is significantly affected by auditors competency(Baharud-din et al,(2014), Hailemariam(2014), George et al, (2015).Two writers also concluded that independence is the significant factor for internal audit effectiveness(Baharud-din et al,(2014), George, et al,(2015).Internal Audit charter also identified as a significant factor by one researcher(Hailemariam 2014).However, organizational setting ,auditee attribute and management perception are identified as less significant factor for internal audit effectiveness (Mihret,Yismaw 2007; Hailemariam

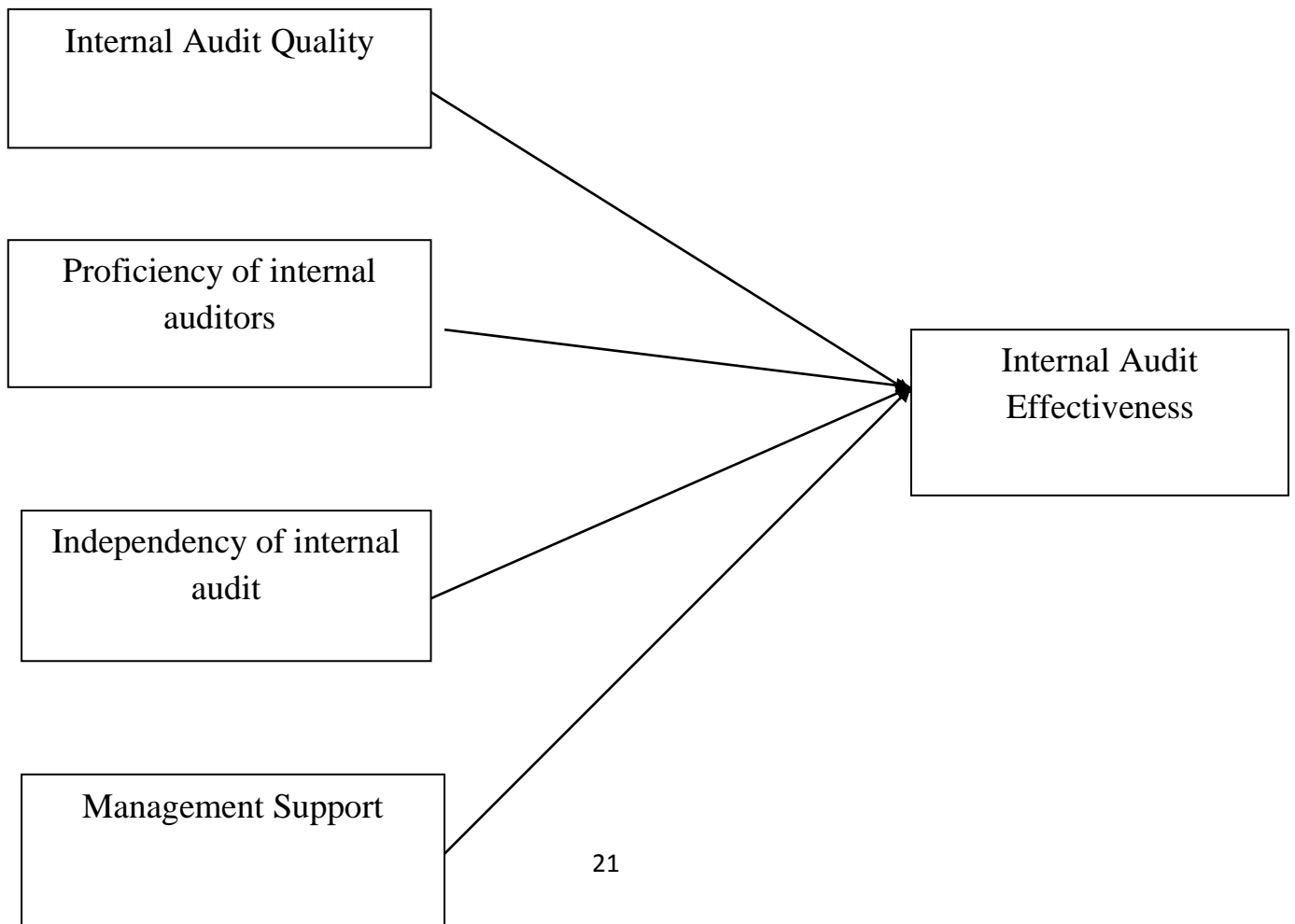
2014)).Further, ISPPIA(2012) indicates internal audit quality ,independence and proficiency of internal Auditors as attribute standards of internal Auditing.

From this literature review the researcher considered that very few theoretical and empirical academic studies have been conducted on internal audit effectiveness. Many of the very few authors recommended the needs for further research especially in developing country public sectors. A study conducted by Mihret and Yismaw(2007) was a case study which is impossible to use their findings in case of Ethio telecom .Hence, it is important to conduct the current study.

Based on previous literatures' conclusion and ISPPIA the researcher selected, internal Audit quality, proficiency of internal Auditors, independence of internal audit and Management support as an independent factor to assess their effect on internal audit effectiveness on Ethio Telecom.

Conceptual framework

Based on the above discussion at literature review section, the following Conceptual framework is formulated by researcher



CHAPTER THREE

3. RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

Research methodology is the philosophy or the general principle which will guide a research. It is the overall approach to studying research topic and includes issues that need to think within a research (Dawson 2002). This chapter discusses aspects of the research methodology including research design, data collection instrument and data analysis methods.

3.2. Research Design

The study is expected to investigate on the factors of internal audit effectiveness in Ethio Telecom. The data used to conduct this study is the primary data obtained through the questionnaires. The questionnaires were distributed to all internal auditors of the company. The researcher used this method of data collection to reach all internal auditors of Ethio Telecom and to gather information quickly and easily. The study used census inquiry sampling method. Overall, the study employed quantitative research approach to identify factors affecting internal audit effectiveness. Hence, this approach helps the researcher in generating statistics...

3.3. Sampling Techniques

The target populations for this research were internal auditors in Ethio Telecom. In Ethio Telecom there are around 54 internal Auditors including officers and managers. Since the number of internal auditors in this company is limited, the researcher used a census inquiry sampling techniques. All internal auditors of the company participated in the study. It can be presumed that in such an inquiry, when all items are covered, no element of chance is left and highest accuracy is obtained

3.4 Data Collection Instrument and Source

Primary source of data was used in this study. The data collection instrument was structured questionnaires. The questionnaires were distributed to all internal auditors through mail and hard copy. It was prepared for the purpose of collecting data from all internal auditors of Ethio telecom focusing on internal audit effectiveness of the company and independent factors

affecting internal audit effectiveness which are internal audit quality, proficiency of internal auditors, independence of internal audit and management support.

Items in the questionnaire were prepared by selecting and modifying questions from Mihret 2011;Cohen and Sayag 2010;Hailemariam,2014 and; George et al,(2015) study. The questionnaires have 2 parts .The first part comprise questions related to the demographic characteristics of the respondent and the second part consist of Likert scale questions on internal audit effectiveness, internal audit quality, Proficiency of internal auditors , independence of internal audit and management support.

3.5. Measurement of variables

The dependent and independent variables were measured on a five-point Likert scale of: Strongly agree = 1, agree = 2, neutral = 3, disagree = 4, strongly disagree = 5.To ensure the reliability of the data from questionnaires particularly the Likert-type scale the researcher used Chronbach's Alpha.

3.5.1. Dependent Variable

In this study the dependent variable is internal audit effectiveness. There is no common criterion to measure internal audit effectiveness (Georg et al,2015). A few academic studies have examined the effectiveness of internal audit and even fewer have dealt the issue empirically. As a result there is no validated and tested scale for measuring internal audit effectiveness. (Cohen.A and Sayag.G 2010). Hence, the researcher selected 16 criteria that are relevant to the current study from prior literatures. All the internal audit effectiveness items were measured on five-point Likert scale of: Strongly agree = 1, agree = 2, neither agree nor disagree = 3, disagree = 4, strongly disagree = 5.

3.5.2. Independent Variables

Internal Audit quality, Proficiency of Internal Auditors, independence of internal audit and management support were the independent variables in this study. The first independent variable Internal Audit quality was assessed by thirteen items and the second independent variable, Proficiency of Internal Auditors was assessed by nine items, the third independent variable, independence of internal audit, was assessed by eight criteria and the last variable, management support, was assessed by nine variables.

The independent variables were measured on a five-point Likert scale of: Strongly agree = 1, agree = 2, neutral = 3, disagree = 4, strongly disagree = 5.

3.6. Data Analysis Method

Descriptive statistic and inferential statistics were employed in this study. Descriptive statistics analysis was used for demographic profile of respondents and to illustrate the frequency of each questions under dependent and independent variables.

Multiple regression analysis was used to identify the contribution of independent variables on dependent variables and also to show the relationship between dependent and independent variables. This analysis also used to test the hypotheses proposed in the study. Before using the multiple regression models, the researcher was tested four major multiple regression assumptions, which are normality, multicollinearity, autocorrelation and homoscedasticity and all were not violated by the model.SPSS 20 was used to conduct all statistical analysis.

3.7. Model Specification

In order to test the hypotheses the following Ordinary least squares (OLS) regression model Was formulated:-

$$IAE = \alpha + \beta_1 IAQ + \beta_2 PIA + \beta_3 INIA + \beta_4 MS + e_i$$

Where:

IAE → Internal Audit Effectiveness.

IAQ → Internal audit quality

PIA → Proficiency of Internal Auditors

IN IA → Independence of Internal audit

MS → The Managements Support,

α → is a constant, represents the effectiveness of IA when every independent variables are zero.

β_1 - β_4 → is the coefficient, in which every marginal change in variables on internal auditor's Effectiveness affects correspondingly.

e_i → the error term

CHAPTER FOUR

4. RESEARCH FINDINGS: ANALYSIS AND DISCUSSION

4.1. Introduction

As it is mentioned in the previous chapter, the aim of this study is to analyze the factors of internal audit effectiveness in Ethio Telecom. Hence, this chapter presents the analysis and discussions of research findings obtained from the questionnaires. It reports the investigation results obtained from all internal Auditors. The discussion begins with the questionnaires' response rate followed by the descriptive statistics of the respondents related questions; like the gender, age, profession, level of education and certification, and also the frequency of dependent and independent variables questions average rate summary. The results of the reliability analysis, the regression assumption test, and multiple regression results also reported and finally the results of hypothesis testing are presented.

4.2. Descriptive Statistics On Demographic Variables

4.2.1 Response Rate

51 questionnaires were distributed to internal auditors in Ethio Telecom and from which 42 questionnaires were collected, giving the response rate of 82%. This shows good response rate.

4.2.2 Respondents Profile

Demographic characteristics of the respondents regarding gender, age, educational level, and work experience in the company, field of study, professional certification and experience in internal auditing of the participants are presented in Table 1. According to the result, the study respondents were 81% males and 19% females, indicating dominance of males in internal audit team of Ethio Telecom. Concerning the age of the participants, the highest percentage is between 36 and 45 years old (55%) and the rest falls in the age interval of 25–35 (33%) and above 45 (12%). Regarding educational level 62% have first degree and 36% have a postgraduate degree and 2% have only diploma. Respondents have remarkable work experience in view of the fact that 84% have more than 8 years work experience in the company; this indicated that most of the respondents have enough knowledge about the overall activities of Ethio Telecom. In the case of field of study the respondents were composed of Accounting (50%), Management (19%), Economics (5%), Engineering (12%), Information System (2%) and others fields like law and

Marketing management (12%). Here, the majority of internal audit team have studied Accounting and Management fields. This implies that the majority of the internal auditors can perform internal auditing without any gap on the subject area. In addition to Accounting and Management professional, having professional on engineering, information system, law and marketing management facilitate auditing in different functional area of the company like network and information system.

As indicating in table 1, only 1(2%) of respondent had professional certification the rest 37(88%) had no certification and 4(10%) were in progress of certification. This implies that there is a shortage of internal audit professionals that fit the current changing environment. Finally respondents experience on internal auditing shows that 29(69%) have 1 to 5 years of experience, 7(17%) have 6 to 10 years of experience, 4(10%) have 11 to 15 years of experience, 1(2%) has 16 to 20 years of experience and also 1(2%) has over 20 years of experience. This shows that the shortage of experienced internal auditors in the company.

Table 1 Respondents general Profile

Demographic Questions		Responses	
		Frequency	Percentage
Gender	Male	34	81
	Female	8	19
	Total	42	100
Age	25 – 35	14	33
	36 – 45	23	55
	above 45 years	5	12
	Total	42	100
Educational level	Diploma	1	2
	Degree	26	62
	Post graduate	15	36
	Total	42	100
Period in the employment of Ethio	1 – 4	1	2
	5 – 8	6	14

Telecom	above 8 years	35	84
	Total	42	100
Field of study	Accounting	21	50
	Management	8	19
	Economics	2	5
	Engineering	5	12
	Information System	1	2
	Other	5	12
	Total	42	100
Professional certification	Certified Internal Auditors	0	0
	Other(Specify)	1	2
	In Progress of certification(Specify)	4	10
	No Certification	37	88
	Total	42	100
Experience in Internal Auditing	1-5 years	29	69
	6-10 years	7	17
	11-15 years	4	10
	16-20 years	1	2
	Over 20 years	1	2
	Total	42	100

4.3 Descriptive Statistics On Dependent and Independent Variables

Section two of the questionnaire was divided into five parts .Each part related to one of the five components(internal audit effectiveness, internal audit quality, proficiency of internal auditors, independence of internal audit and management support),which form parts of the model. Each parts of the questionnaire are composed of statements relating to activities connected to the relevant component. The respondents were asked to evaluate each statement on scale 1 to 5, the value 1 being ‘‘Strongly Agree’’ and 5 being ‘‘ strongly Disagree’’.

The distribution of the responses is presented per statement in Appendix B . For the sake of simplicity the following table (table 2) is presented by taking the average of all questions response under each variable. The table shows the distribution of the responses collected.

The result provides information on the level of internal audit effectiveness and internal audit quality, proficiency of internal auditors, independence of internal audit and management support in Ethio Telecom based on internal auditors perceptions.

Internal Audit Effectiveness

In Table 2 frequency, percentage, mean and Std. Deviation result for internal audit effectiveness is presented .The mean score is 2.31 this shows that the majority of the respondents have a choice between agree and neutral with the internal audit effectiveness. The majority of respondents (52.4%) agreed with the effectiveness of internal audit in Ethio Telecom.

The finding also consistent with George et al, (2015) according to their study the majority of the respondents were agree with internal audit effectiveness .

The result implies that internal audit function in Ethio Telecom ensures that it add value to the business, no compliant or doubts come from auditee on internal audit report ,it ensures the economic, efficiency and effective use of resources in the company. Besides this finding also implies that internal audit report in the company is highly needed for decision making by higher management. Generally internal audit division in Ethio Telecom is improving organizational and divisional performance. This result may come from the combination of different factors like proficiency of internal auditors and internal audit quality in the company.

Internal Audit Quality

Frequency percentage and means of internal audit quality also depicts in table 2. Most of the respondent (52.2%) agree on the internal Audit quality and 31% of the respondents have neutral position .The mean score is 2.36 this means that the majority of the respondent have agree and neutral response. The result implies that internal audit function in the company can easily identify non-compliance activity with the company policy and procedure, internal audit in the company is performed efficiently ,internal auditors ascertain that operating objectives are consistent with organizational goals internal audit recommendation can be easily implemented. The rationale behind this result may be internal audit managers in the company conduct proper follow up and supervision on internal auditors' activity.

Proficiency of internal Auditors

Table 2 also shows the descriptive statistic result of proficiency of internal auditors. The majority of the respondents have neutral position (62%) this implies that the respondents cannot tell about their proficiency or they have medium proficiency level. 19% of the respondent agree on their proficiency and 17% of the respondent disagree on the proficiency of internal auditors statements or they perceive that the professional proficiency of internal auditors is weak in the company. The Mean score of this variable is 2.9. This result tells us the majority of the respondent response on proficiency statement is neutral. However, George et al, (2015) found out internal auditors have good professional proficiency in Greek Business environment.

The result of the analysis indicates that internal auditors in Ethio Telecom have gap on skill, knowledge and other competencies that are necessary for audit activities. The finding also shows internal auditors in the company are not getting appropriate training and certification to improve their proficiency level. The reason for this problem is unable to give attention for internal auditors' professional proficiency development by top management

Independence of internal Audit

The result in table 2 also indicates that 42% of the respondent agrees on the statements formulated under independence. And the mean score is 2.52 this shows that the majority of the respondents answer falls in between agree and neutral. This result also indicated there is no problem in independence of internal audit. Internal auditors can freely decide the scope, time and extent of auditing procedures followed based on auditing standards and company policy. They feel free to include any audit findings

Management Support

Finally the descriptive statistic result of management support indicated that there is weak management support in the company. 43% of the respondents disagree on management support for internal audit in Ethio Telecom. 17% agree on its strength the rest have neutral position. The mean score of this variable is 3.26 this tells us that the majority of the respondents have disagree response on the management support statements.

The result implies that top management of the company doesn't show commitment to strengthen internal audit of the company in all aspects

Table 2 .Distribution of Dependent and Independent variables

Variables	Strongly Agree	agree	Neutral	Disagree	Strongly disagree	Mean	Std. Deviation
Internal Audit Effectiveness(IAE)	4	22	15	1	0	2.3095	.68032
%	9.5	52.4	35.7	2.4	0		
Internal Audit Quality(IAQ)	4	22	13	3	0	2.3571	.75938
%	9.5	52.4	31	7.1	0		
Proficiency of Internal Auditors(PIA)	1	8	26	7	0	2.9286	.67690
%	2.4	19	61.9	16.7	0		
Independence of Internal Audit(INIA)	3	18	17	4	0	2.5238	.77264
%	7.1	42.9	40.5	9.5	0		
Management Support(MP)	2	5	17	16	2	3.2619	.91223
%	4.8	11.9	40.5	38.1	4.8		

4.4. Reliability Analysis

By calculating Cronbach's Alpha coefficient the reliability of the likert scales questions were tested. The reliability analysis shows wither the instrument can be interpreted consistently across different situation (Field, 2009)

Table 3 Reliability Statistics

Cronbach's Alpha	N of Items
.709	44

From table 3 above, the value for Cronbach’s Alpha (α) was 0.709 for all questions under each variable. According to Cronbach’s (1951) this figure is acceptable. Thus, the responses generated for all variables’ used in this research were reliable enough for data analysis.

4.4. Multiple Regression Assumptions

Most statistical tests rely upon certain assumptions about the variables used in the analysis. When these assumptions are not met the results may not be trustworthy. We need to understand the different assumptions that our data must meet in order for multiple regression to give us a

valid result (Field, 2009). Based on this fact, the researcher checked four basic assumptions that are necessary for regression model using SPSS.

4.4.1. Normality Assumption

Regression assumes that variables have normal distributions. Non-normally distributed variables (highly skewed or kurtotic variables, or variables with substantial outliers) can distort relationships and significance tests. In normality the residuals should be normally distributed about the predicted dependent variable scores. There are several pieces of information that are useful to the researcher in testing this assumption: visual inspection of data plots, skewness, kurtosis, and P-P plots give researchers information about normality, and Kolmogorov-Smirnov tests provide inferential statistics on normality (Field, 2009). The researcher used skewness and kurtosis to show the normality of the variables distribution in table 4. Based on this test normality is not violated .All statistic value is between +1 and -1.

Table 4 Variables Distribution

	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
IAE Internal Audit Effectivness	42	.011	.365	-.130	.717
IAQ Internal Audit Quality	42	.337	.365	-.006	.717
IAP Internal Auditors Proficiency	42	-.409	.365	.669	.717
IND Independency	42	.083	.365	-.270	.717
MSP Managment Support	42	-.559	.365	.360	.717
Valid N (listwise)	42				

4.4.2 Multicollinearity assumption

Multicollinearity refers to the relationship among the independent variables. Multicollinearity exists when the independent variables are highly correlated ($r=.9$ and above). The bivariant multicollinearity can be checked against 4 key criteria:

1) Correlation matrix – when computing the matrix of Pearson's Bivariate Correlation among all independent variables the correlation coefficients need to be smaller than .0.7

2) Tolerance – the tolerance measures the influence of one independent variable on all other independent variables. With $T < 0.2$ there might be multicollinearity in the data and with $T < 0.01$ there certainly is.

3) Variance Inflation Factor (VIF) – the variance inflation factor of the linear regression is defined as $VIF = 1/T$. Similarly with $VIF > 10$ there is an indication for multicollinearity to be present.

4) Condition Index – the condition index is calculated using a factor analysis on the independent variables. Values of 10-30 indicate a mediocre multicollinearity in the regression variables; values > 30 indicate strong multicollinearity.

The researcher have checked the first three tastes .Based on these tests result there is no multicollinearity in the model .In table 5 all the bivariant correlation figures are below 0.7. This shows us all variables used in this model can fit the study. And also table labeled Coefficients (Table 6) all Tolerance value is above 0.2 and all VIF value is less than 10.

Table 5 Correlation Matrix

Variables	IAE	IAQ	IAP	IAID	MS
Internal Audit Effectiveness(IAE)	1	.583**	.632**	.519**	.456**
Internal Audit Quality(IAQ)	.583**	1	.573**	.588**	.390*
Internal Auditors' proficiency(IAP)	.632**	.632**	1	.680**	.624**
Internal Audit Independence(IAID)	.519**	.588**	.680**	1	.631**
Management Support	.456**	.390*	.624**	.631**	1

Table 6:- Collinearity Statistics

Variables	Tolerance	VIF
Internal Audit Quality	.595	1.681
Internal Auditors ‘ Proficiency	.432	2.312
Internal Audit Independence	.415	2.408
Management Support	.528	1.894

4.4.3 Homoscedasticity Assumption

Homoscedasticity (constant variance) is where the variances along the line of best fit remain similar as we move along the line. The researcher used Breusch-pagan and koenker tests by downloading the tests from Ahmad Daryanto sits into SPSS 20 (<https://sites.google.com/site/ahmaddaryanto/scripts/Heterogeneity-test>). According to the test result shown in table 7, there is no heteroscedicity in the model. All the sig value is greater than 0.05. P-value of greater than 0.05 is acceptable.

Table 7: Breusch-pagan and koenker tests

	LM	Sig
BP	1.204	.878
Koenker	1.360	.851

4.4.4 Auto-correlation Assumption

It is statistical independence of the errors (in particular, no correlation between consecutive errors in the case of time series data). Data were assessed to ensure that the autocorrelation is not a threat for the use of regression model. This assumption can be tested with the Durbin-Watson test which test for serial correlation between errors and the value closer to 2 are acceptable (Field, 2009). As described on table 8 below, the Durbin-Watson statistics value is 1.788 close to 2 suggests that there is no severe autocorrelation among error terms

Table 8:-Durbin-Watson Statistics

Model	Durbin-Watson
1	1.788

4.5. The Regression Results and Hypothesis Testing

The regression result that are obtained by regressing the internal audit effectiveness in adding value for the organization ,improving organizational and divisional performance and identifying noncompliance activities on the internal audit quality, proficiency of internal auditors, independence of internal audit and managements support were analyzed and reported. Finally, the hypotheses tests were undertaken based on the regression output results.

4.5.1. Regression Analysis Results

The regression analysis was used to predict a dependent variable (Internal audit effectiveness) based on values of internal audit quality, proficiency of internal auditors, independence of internal audit, and management support. The result shows, indicators of the internal audit effectiveness by using the variables identified in the model. When doing regression analysis the researcher determines whether or not there is a relationship between the independent variables and the dependent variables by examining the ANOVA result in the below table (table 9). This analysis shows the overall fit of the regression model for the study.

If the F statistic is significant, we can assume the independent variables, taken together, have a relationship with the dependent variable .In this study, the probability of the F statistic for the regression analysis is 0.000, less than the level of significance of 0.05. Hence, it is concluded that the dependent variable i.e. internal audit effectiveness have a relationship with the independent variables identified in this study which are internal audit quality, proficiency of internal auditors, independence of internal audit and management support. Generally, it is possible to say the model is a good fit for the variables identified in this study.

The Model summary of the study is indicated in table 10. R statistic represents the strength of the relationship between internal audit effectiveness and other independent variables. In this study R statistic is 0.690, which indicates a strong relationship between dependent and independent variables.

The R Square statistic tells us the proportion of variance in the dependent variable that is accounted for by the independent variables. In this case, the overall contribution of internal audit quality, proficiency of internal auditors, independence of internal audit and management support accounted for 47.7% ($R^2 = 0.477$) of the variation in the internal audit effectiveness, this implies that the rest 53% are other variables not included in this study. The adjusted R Square is slightly lower, indicating 42% of the variance is accounted for by the model.

Table 11 depicts the contribution of each independent variable in the model. The beta (β) sign also shows the +ve or -ve effect of the independent variables coefficient over the dependent variable. In this study, beta sign of all the independent variables shows the positive effect on the predicted dependent variable. That means, any increase in the independent variables lead to increase in the dependent variable, internal audit effectiveness. This finding is consistent with most of the previous studies that are identified in this paper (Mihret and Yismaw, 2007; Baharud-din et al, 2014; Hailemariam, 2014; Georg et al,2015).

Therefore, based on the coefficients of the dependent variable (β sign) and the p value (5% level of significances) the first two hypotheses proposed by the researcher are acceptable because they have positive coefficient and $P < 0.05$. Hence, internal audit quality and proficiency of internal auditors are the two independent variables that have significant contribution for internal audit effectiveness. However, H3 and H4 are rejected as they have p value greater than 0.05. The detail discussion on these results is presented in the next part of this paper.

Table 9

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9.044	4	2.261	8.423	.000 ^b
	Residual	9.932	37	.268		
	Total	18.976	41			

a. Dependent Variable: Internal Audit Effectiveness

b. Predictors: (Constant), Management Support, Internal Audit Quality, Internal Auditors Proficiency, Internal Audit Independence

Table 10

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.690 ^a	.477	.420	.51811

a. Predictors: (Constant), Management Support, Internal Audit Quality, Proficiency of Internal Auditors, Independence of Internal audit

Table 11

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.263	.375		.701	.488
Internal Audit Quality	.287	.138	.320	2.077	.045
Proficiency of Internal Auditors	.389	.182	.387	2.140	.039
Independence of internal audit	.017	.162	.019	.103	.919
Management Support	.058	.122	.077	.474	.639

a. Dependent Variable: Internal Audit effectiveness

4.5.2. Hypotheses Test

The regression analysis results which are presented in table 11 above help the researcher to make accurate test of research hypotheses proposed at the beginning of this study. The hypotheses sought to test for a significant positive association of internal audit quality, proficiency internal auditors, independence of internal audit and management support with internal audit Effectiveness. The following hypotheses test were conducted based on the regression results of the internal audit effectiveness obtained from the regression output.

Internal Audit quality

In the above table (table 11), internal audit quality has positive β value of .287 at significant level of .045. This means that one step improvement in internal audit quality will have an effect of 28.7% changes on internal audit effectiveness. It also shows the significant positive relationship between internal audit quality and internal audit effectiveness. The result also

consistence with Mihret and Yismaw,2007; George et al ,2015 findings. They argued that internal audit quality has a significant and positive relationship with internal audit effectiveness. The finding implies that when internal audit activity is efficiently performed, when audit findings are correctly justified and recommendation is easily implemented by auditee internal audit effectiveness will be increased .Besides ,when internal auditors able to evaluate the internal control system of the company effectively ,able to identify noncompliance activity with company policy and procedure, able to check 3E's in resource utilization, and when they can assist management by identifying risk exposure of the organization the internal audit effectiveness increased significantly. Finally, the appropriate follow up and supervision by internal audit managers also improved the internal audit effectiveness of the company. The rationale behind this relationship is that the quality of any activity results in effectiveness.

At the start of this study it was hypothesized that a positive relationship would exist between internal audit quality and internal audit effectiveness, and this is rightly evidenced where $\beta = .287$. and $P < 0.05$. Hence, **Hypothesis one (H1) is accepted.**

Proficiency of internal Auditors

In the above table (table 11) proficiency of internal auditors has positive β value of .389 at significant level of .039. This means that one step improvement in proficiency of internal auditors will have an effect of 38.9% changes on internal audit effectiveness. It also shows the significant positive relationship between proficiency of internal auditors and internal audit effectiveness.

This result is consistence with some previous auditing researches (Mihret and Yismaw,2007; George et al ,2015; Baharud-din et,al ,2014 and Mihret,2011) they found that competency of internal auditors have positive relationship with internal audit effectiveness.

The finding implies that when there is an improvement in professional knowledge of internal auditors, when they are proactive, and when they have good communication with auditee internal audit effectiveness will increase. Moreover, having appropriate education and certification by internal auditors will have positive impact on internal audit effectiveness. When internal auditors able to conduct their activity on time and within the planned scope and when they have appropriate skill that much the audit that they are conducting the internal audit effectiveness will be increased. The possible reasons for this

relationship are that when internal auditors possess the knowledge, skills, and other competencies they can perform their responsibilities effectively this result in internal audit effectiveness.

From the above result the second hypothesis that is the positive relationship between proficiency of internal auditors and internal audit effectiveness is accepted

Independence of Internal Audit

Independence of internal audit has a β value of .17 and p is 0.919 as shown in the above table 11. This result shows a positive relationship between independence of internal audit and internal audit effectiveness. But, the relationship is not statistically significant. The finding is also consistent with Yee et al, (2007) finding, who have been concluded that internal audit dependence is not a most important factor for internal audit effectiveness. This conclusion also supported by Hailemariam (2014), who showed internal auditors' independence have positive but not significant effect on internal audit effectiveness.

The result found in this section implies that reporting to the highest level, freely deciding scope, time and auditing procedure, having no management interest to work beyond auditing standard, including any audit finding freely, accessing necessary company documents and data have a contribution for internal audit effectiveness but they don't have significant relationship. Though, independence is one of the primary conditions for internal audit activities it has insignificant contribution for internal audit effectiveness. Other factors are involved to have effective internal audit function. It was hypothesized that a positive relationship would exist between independence of internal Audit and internal audit effectiveness and this hypothesis is rejected.

Management Support

The management support coefficient in table 11 shows 0.058 and P value .639. It indicates that management support have positive contribution for the effectiveness of internal audit but its relationship is statistically insignificant. This finding contradict with previous studies. Most of the literatures mentioned in this paper identified that management support as a crucial factor for internal audit effectiveness and it is positively and significantly related with internal audit effectiveness (Sarens and De Beeld 2006a; Cohen and Sayag 2010; Mihret and Yismaw, 2007; Hailemariam 2014; Baharud-din et al 2014)

The implication of this result is that the management commitment to take timely corrective action on internal audit findings and recommendation, strengthening internal audit, supporting internal auditors by providing training to improve their skill by budgeting funds for certification have no significant contribution for internal audit effectiveness. Further study is necessary to evaluate this finding. Based on the above result, Hypothesis four (H4) is rejected which indicated that there is no statistically significant relationship between management support and Internal audit effectiveness.

CHAPTER FIVE

5. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1. Summary of Finding

Based on the data analysis, interpretation and discussion undertaken in the previous chapters, the following major findings were noted:

- From descriptive statistical analysis of respondents' demographic profile, majority of internal auditors have no professional certification. This implies that there is a gap on knowledge and skill of internal auditors that fit the current changing environment.
- Most of the internal auditors have more than 8 years of experience in the company; this shows that they have enough knowledge on the overall operation of the company. Hence, they can identify risk areas without any difficulties.
- Descriptive statistical analysis result indicated that internal audit effectiveness and internal audit quality is good in Ethio telecom. This implies that internal audit division of the company meets its raison d'être" and internal audit provides valuable finding and recommendation for management, there is proper planning and field work monitoring and controlling, and effective communication with auditee and higher management
- Proficiency of internal auditors in the company is at the medium level. Hence, it needs improvement. Besides, the study identified that management support for internal audit function in Ethio Telecom is very weak. This indicated that management of the company doesn't take timely corrective action on audit finding and recommendation, there is no higher management commitment to strengthen the internal audit division, management of the company doesn't facilitate resources necessary for internal audit activities and management of the company is not committed to strengthen internal audit division of the company
- The multiple regression analysis of this study indicated that, the overall contribution of internal audit quality, proficiency of internal auditors , independence of internal audit and management support accounted for 47.7% ($R^2 = 0.477$) of the variation in the internal audit effectiveness, this implies that the rest 53% are other variables not included in this study.

- The regression analysis of this study also evidenced that internal audit quality and proficiency of internal auditors have positive significant relationship with internal audit effectiveness. However independence of internal audit and management support has not significant relationship with internal audit effectiveness. Though, all independent variables have 47% impact on internal audit effectiveness so neglecting one variable in this study will decrease this value.

5.2. Conclusion

This paper analyzed factors affecting internal audit effectiveness in Ethio telecom. Specifically the study focused on the relationship of internal audit quality, proficiency of internal auditors, independence of internal audit and management support with internal audit effectiveness.

From the research that has been carried out, it is possible to conclude that internal audit effectiveness in Ethio Telecom is good and also internal audit quality in this company found at the good level. But, Internal auditors have in skill, knowledge and other competencies and management support for internal audit is weak.

Moreover, based on the regression analysis result of the study it is possible to conclude that internal audit quality, proficiency of internal auditors, independence of internal audit and management support have 47.7 % effect on internal audit effectiveness. However, proficiency of internal auditors and internal audit quality are the most important factors for internal audit effectiveness. When internal auditors deliver valuable findings and recommendation for the management , when there is proper planning and field work monitoring and controlling and effective communication with auditee and higher management, internal audit effectiveness will be increased .Moreover, when there are internal auditors, who possess knowledge, skill and other competencies needed to perform their responsibility, internal audit effectiveness will be improved. Independence of internal audit and management support have statistically insignificant contribution for internal audit effectiveness

5.3. Recommendations

After summarizing the result and findings obtained in this study, the researcher provides the following recommendations to Ethio Telecom management, internal auditors of Ethio Telecom , and future researchers

- Nowadays, Telecom companies need effective internal audit function to cop up with the ever changing environment. Due to this fact, Ethio Telecom management should improve its internal audit function by developing competency, skill and knowledge of its internal auditors through training and certification.
- From the descriptive analysis ,it is noted that management support for internal audit function is weak in Ethio Telecom .So ,Top management of Ethio telecom should take timely corrective action on internal audit findings and recommendation , should show commitment to strengthen the internal audit function and should facilitate resources needed for internal audit activities in the company
- Internal audit quality is under the control of internal auditors Thus; all internal auditors should try their best to make effective and efficient internal audit investigation and to deliver valuable internal audit report.
- The current study is based on the perception of internal auditors in Ethio Telecom. Future study should be conducted by participating other functional unit employees and managers.
- Finally, until now, there is no common and best framework that shows factors affecting internal audit effectiveness or no consensus have reached among writers regarding variables of internal audit effectiveness. Hence, future researchers should conduct comprehensive study by using broad samples and statistical analysis.

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Appendix A: Questionnaire



St. MARY UNIVERSITY
SCHOOL OF GRADUATE STUDIES
MASTER OF BUSINESS ADMINISTRATION PROGRAM
The questionnaire is prepared for Ethio Telecom’s Internal Auditors and
Internal Audit Division Management

Dear Respondents

The purpose of this questionnaire is to explore information regarding factors of internal audit effectiveness and to conduct Master Thesis for the partial fulfillment of Masters Degree in Business Administration at St. Mary University. The questionnaires are intended to distribute to all internal auditors and internal audit division management of Ethio Telecom .The results of the study are expected to identify and analyze factors affecting internal audit effectiveness. Please, do not write your name on the questionnaire. I would also like to assure you that the information you provided will be kept confidential and used only for the purpose of this research.

Your honest and thoughtful response is valuable.

Thank you in advance for your support and participation.

With best regards,

Meseret Eshetu, Mobile: +251- 911 50 11 40, Email: meseretesh14@gmail.com

Part I :-Detail about respondents. Please respond by putting “x” mark or writing in the bracket

1. Gender

Male []

Female []

2. Age

Up to 25 years []

25-35 years []

36-45 years []

above 45 years []

3. Educational level

Diploma []

post graduate []

Degree []

Other Specify -----

4. Period in the employment of Ethio Telecom

Less than 1 year []

1-4 year []

5-8 year []

above 8 years []

5. Your field of study: Accounting [], Management [] Economics [],

Engineering [],

Computer Science [],

other specify-----

6. Professional certification: -

Certified internal auditor (CIA) []

Certified public accountant (ACCA, CPA.) []

Certified management accountant (CMA) []

others (specify) -----

In progress of certification (Specify) -----

7. Please indicate your years of experience on internal auditing

1-5 []

6-10 []

11-15 []

16-20 []

Over 20 years []

Part II- Questions regarding Factors associated with internal audit effectiveness

Instruction: Below are statements about Internal Audit Effectiveness, Internal Audit Quality, Internal Auditors' Proficiency, Internal Audit Independence and Management Support in cases of Ethio Telecom. Please indicate whether you agree or disagree with each statement by putting "x" mark on the spaces that indicate your choice ranged from, **Strongly Agree (SA), Agree (A), Neutral (N), and Disagree (D) to strongly disagree (SD)**

S.No	Internal Audit Effectiveness	SA	A	N	D	SD
1	Internal audit ensure that it adds value to the business					
2	The number of complaints (doubts) about the internal auditors' finding (report) is very low because their report is correct and reasonable					
3	Internal audit ensures the economical, effective and efficient use of resources in the company					
4	The existing role that the internal audit is playing sufficient enough to address the very purpose for which it is established					
5	The internal auditor reports are highly considered for decision making and internal controls by the management					
6	Internal audit improves divisions' performance					
7	Internal audit improves organizational performance					
	Internal Audit Quality					
1	Internal audit's work is efficiently performed in the company					
2	Internal audit's findings are correctly justified					
3	Internal audit's recommendations can be easily implemented					

4	Internal audit's report is accurate					
5	Internal Auditors of the company evaluate the internal control system and make recommendations for improvement					
6	Internal auditors can effectively identify and report any non-compliance activities with the company policies, procedures and process					
7	Internal auditors often check efficiency of operating results(e.g. whether cost saving alternative areas are used)					
8	Internal auditors ascertain that operating objectives are consistent with organizational goals					
9	Internal auditors assist the management by identifying risk exposures of the organization					
10	Internal auditors provide consulting services to management where internal audit has the expertise					
11	Senior management input is considered in setting internal audit priorities					
12	An internal audit manager supervises field work					
13	An internal audit manager reviews internal audit working papers.					
	Internal Auditors' Proficiency					
1	The professional knowledge of internal auditors is high					
2	Internal auditors are proactive					
3	There is good communication between internal auditors and auditees					
4	Internal auditors have adequate education					
5	Most of internal auditors in the company have certification in auditing.					

6	It is possible to audit and review each activity on time, and cover the planned scope of auditing activities.					
7	The audit procedures and evidence collections are completed on time, as enough and skilled internal auditors are available or deployed.					
8	The internal audit staff skill matches the scope of the company Internal operations.					
9	The work of internal audit is performed with modern technology that uses computerized data tools and specific IA software					
	Independence of internal auditors					
1	Internal audit report to the highest level within the organization					
2	Internal audit participate in the development of the company processes					
3	Internal auditors freely decide the scope, time and extent of auditing procedures followed based on auditing standards and the company policy.					
4	Internal auditors objectively examine auditing issues based on reliable audit evidence and no management interest is involved for adjustment beyond auditing standards & values.					
5	Internal auditors feel free to include any audit finding in their audit work and directly report to responsible body.					
6	Internal auditors can freely access necessary company documents, information and data for their audit work.					
	Management support					
1	Management take timely corrective action based on internal audit recommendations					

2	There is higher management commitment to strengthen the internal audit division.					
3	Internal Auditors receive full cooperation, access to records and information from company management					
4	Internal Auditors can get the necessary resources (facilities) that help them to perform auditing activities as needed.					
5	Management of the company support Internal Auditors by providing training in order to improve their skill and update with the profession.					
6	Management of the company supports internal auditors to introduce themselves with new technology, policy or procedures when it is necessary.					
7	Management of the company supports Internal Auditing staffs by budgeting funds for certification to have relevant education in auditing that allows them to audit all of the organization's/sector's systems.					
8	Senior management is aware of internal audit's needs					
9	Senior management supports internal audits personnel					

Appendix B. Frequency percent

IAEQ1 Internal audit ensure that it adds value to the business

	Frequency	Percent	Valid Percent	Cumulative Percent
1 Strongly Agree	23	54.8	54.8	54.8
2 Agree	15	35.7	35.7	90.5
Valid 3 Neutral	3	7.1	7.1	97.6
4 Disagree	1	2.4	2.4	100.0
Total	42	100.0	100.0	

IAEQ2 The number of complaints (doubts) about the internal auditors' finding (report) is very low because their report is correct and reasonable

	Frequency	Percent	Valid Percent	Cumulative Percent
1 Strongly Agree	5	11.9	11.9	11.9
2 Agree	27	64.3	64.3	76.2
Valid 3 Neutral	4	9.5	9.5	85.7
4 Disagree	6	14.3	14.3	100.0
Total	42	100.0	100.0	

IAEQ3 Internal audit ensures the economical, effective and efficient use of resources in the company

	Frequency	Percent	Valid Percent	Cumulative Percent
1 Strongly Agree	10	23.8	23.8	23.8
2 Agree	19	45.2	45.2	69.0
Valid 3 Neutral	6	14.3	14.3	83.3
4 Disagree	6	14.3	14.3	97.6
5 Strongly disagree	1	2.4	2.4	100.0
Total	42	100.0	100.0	

IAEQ4 The existing role that the internal audit is playing sufficient enough to address the very purpose for which it is established

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1 Strongly Agree	4	9.5	9.5	9.5
2 Agree	18	42.9	42.9	52.4
3 Neutral	8	19.0	19.0	71.4
4 Disagree	12	28.6	28.6	100.0
Total	42	100.0	100.0	

IAEQ5 The internal auditor reports are highly considered for decision making and internal controls by the management

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1 Strongly Agree	4	9.5	9.5	9.5
2 Agree	15	35.7	35.7	45.2
3 Neutral	13	31.0	31.0	76.2
4 Disagree	9	21.4	21.4	97.6
5 Strongly disagree	1	2.4	2.4	100.0
Total	42	100.0	100.0	

IAQQ6 Internal auditors can effectively identify and report any non-compliance activities with the company policies, procedures and process

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1 Strongly Agree	12	28.6	28.6	28.6
2 Agree	25	59.5	59.5	88.1
3 Neutral	3	7.1	7.1	95.2
4 Disagree	2	4.8	4.8	100.0
Total	42	100.0	100.0	

IAQQ7 Internal auditors often check efficiency of operating results(e.g. whether cost saving alternative areas are used)

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1 Strongly Agree	5	11.9	11.9	11.9
2 Agree	18	42.9	42.9	54.8
3 Neutral	10	23.8	23.8	78.6
4 Disagree	9	21.4	21.4	100.0
Total	42	100.0	100.0	

IAQQ8 Internal auditors ascertain that operating objectives are consistent with organizational goals

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1 Strongly Agree	8	19.0	19.0	19.0
2 Agree	17	40.5	40.5	59.5
3 Neutral	12	28.6	28.6	88.1
4 Disagree	4	9.5	9.5	97.6
22	1	2.4	2.4	100.0
Total	42	100.0	100.0	

IAQQ9 Internal auditors assist the management by identifying risk exposures of the organization

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1 Strongly Agree	14	33.3	33.3	33.3
2 Agree	24	57.1	57.1	90.5
3 Neutral	3	7.1	7.1	97.6
22	1	2.4	2.4	100.0
Total	42	100.0	100.0	

IAQQ10 Internal auditors provide consulting services to management where internal audit has the expertise

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1 Strongly Agree	7	16.7	16.7	16.7
2 Agree	11	26.2	26.2	42.9
3 Neutral	14	33.3	33.3	76.2
4 Disagree	10	23.8	23.8	100.0
Total	42	100.0	100.0	

IAQQ11 Senior management input is considered in setting internal audit priorities

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1 Strongly Agree	9	21.4	21.4	21.4
2 Agree	18	42.9	42.9	64.3
3 Neutral	11	26.2	26.2	90.5
4 Disagree	4	9.5	9.5	100.0
Total	42	100.0	100.0	

IAQQ12 An internal audit manager supervises field work

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1 Strongly Agree	5	11.9	11.9	11.9
2 Agree	21	50.0	50.0	61.9
3 Neutral	4	9.5	9.5	71.4
4 Disagree	9	21.4	21.4	92.9
5 Strongly disagree	2	4.8	4.8	97.6
22	1	2.4	2.4	100.0
Total	42	100.0	100.0	

IAQQ13 An internal audit manager reviews internal audit working papers.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1 Strongly Agree	7	16.7	16.7	16.7
2 Agree	23	54.8	54.8	71.4
3 Neutral	4	9.5	9.5	81.0
4 Disagree	5	11.9	11.9	92.9
5 Strongly disagree	3	7.1	7.1	100.0
Total	42	100.0	100.0	

PIAQ1 The professional knowledge of internal auditors is high

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1 Strongly Agree	5	11.9	11.9	11.9
2 Agree	17	40.5	40.5	52.4
3 Neutral	11	26.2	26.2	78.6
4 Disagree	6	14.3	14.3	92.9
5 Strongly disagree	2	4.8	4.8	97.6
33	1	2.4	2.4	100.0
Total	42	100.0	100.0	

PIAQ2 Internal auditors are proactive

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1 Strongly Agree	5	11.9	11.9	11.9
2 Agree	16	38.1	38.1	50.0
3 Neutral	7	16.7	16.7	66.7
4 Disagree	11	26.2	26.2	92.9
5 Strongly disagree	2	4.8	4.8	97.6
33	1	2.4	2.4	100.0
Total	42	100.0	100.0	

PIAQ3 There is good communication between internal auditors and auditees

	Frequency	Percent	Valid Percent	Cumulative Percent
1 Strongly Agree	1	2.4	2.4	2.4
2 Agree	24	57.1	57.1	59.5
Valid 3 Neutral	8	19.0	19.0	78.6
4 Disagree	9	21.4	21.4	100.0
Total	42	100.0	100.0	

PIAQ4 Internal auditors have adequate education

	Frequency	Percent	Valid Percent	Cumulative Percent
1 Strongly Agree	2	4.8	4.8	4.8
2 Agree	23	54.8	54.8	59.5
3 Neutral	7	16.7	16.7	76.2
Valid 4 Disagree	7	16.7	16.7	92.9
5 Strongly disagree	1	2.4	2.4	95.2
22	1	2.4	2.4	97.6
44	1	2.4	2.4	100.0
Total	42	100.0	100.0	

PIAQ5 Most of internal auditors in the company have certification in auditing.

	Frequency	Percent	Valid Percent	Cumulative Percent
1 Strongly Agree	1	2.4	2.4	2.4
2 Agree	1	2.4	2.4	4.8
Valid 3 Neutral	9	21.4	21.4	26.2
4 Disagree	18	42.9	42.9	69.0
5 Strongly disagree	13	31.0	31.0	100.0
Total	42	100.0	100.0	

PIAQ6 It is possible to audit and review each activity on time, and cover the planned scope of auditing activities.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1 Strongly Agree	1	2.4	2.4	2.4
2 Agree	23	54.8	54.8	57.1
3 Neutral	6	14.3	14.3	71.4
4 Disagree	11	26.2	26.2	97.6
44	1	2.4	2.4	100.0
Total	42	100.0	100.0	

PIAQ7 The audit procedures and evidence collections are completed on time, as enough and skilled internal auditors are available or deployed.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1 Strongly Agree	3	7.1	7.1	7.1
2 Agree	14	33.3	33.3	40.5
3 Neutral	12	28.6	28.6	69.0
4 Disagree	13	31.0	31.0	100.0
Total	42	100.0	100.0	

PIAQ8 The internal audit staff skill matches the scope of the companyInternal operations.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1 Strongly Agree	3	7.1	7.1	7.1
2 Agree	14	33.3	33.3	40.5
3 Neutral	9	21.4	21.4	61.9
4 Disagree	13	31.0	31.0	92.9
5 Strongly disagree	2	4.8	4.8	97.6
22	1	2.4	2.4	100.0
Total	42	100.0	100.0	

PIAQ9 The work of internal audit is performed with modern technology that uses computerized data tools and specific IA software

	Frequency	Percent	Valid Percent	Cumulative Percent
2 Agree	2	4.8	4.8	4.8
3 Neutral	3	7.1	7.1	11.9
Valid 4 Disagree	21	50.0	50.0	61.9
5 Strongly disagree	16	38.1	38.1	100.0
Total	42	100.0	100.0	

IDIAQ1 Internal audit report to the highest level within the organization

	Frequency	Percent	Valid Percent	Cumulative Percent
1 Strongly Agree	19	45.2	45.2	45.2
2 Agree	14	33.3	33.3	78.6
Valid 3 Neutral	6	14.3	14.3	92.9
4 Disagree	1	2.4	2.4	95.2
5 Strongly disagree	2	4.8	4.8	100.0
Total	42	100.0	100.0	

IDIAQ2 Internal audit participate in the development of the company processes

	Frequency	Percent	Valid Percent	Cumulative Percent
1 Strongly Agree	3	7.1	7.1	7.1
2 Agree	5	11.9	11.9	19.0
3 Neutral	12	28.6	28.6	47.6
Valid 4 Disagree	15	35.7	35.7	83.3
5 Strongly disagree	5	11.9	11.9	95.2
11	1	2.4	2.4	97.6
44	1	2.4	2.4	100.0
Total	42	100.0	100.0	

IDIAQ3 Internal auditors freely decide the scope, time and extent of auditing procedures followed based on auditing standards and the company policy.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1 Strongly Agree	10	23.8	23.8	23.8
2 Agree	20	47.6	47.6	71.4
3 Neutral	4	9.5	9.5	81.0
4 Disagree	7	16.7	16.7	97.6
5 Strongly disagree	1	2.4	2.4	100.0
Total	42	100.0	100.0	

IDIAQ4 Internal auditors objectively examine auditing issues based on reliable audit evidence and no management interest is involved for adjustment beyond auditing standards & values.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1 Strongly Agree	10	23.8	23.8	23.8
2 Agree	21	50.0	50.0	73.8
3 Neutral	5	11.9	11.9	85.7
4 Disagree	6	14.3	14.3	100.0
Total	42	100.0	100.0	

IDIAQ5 Internal auditors feel free to include any audit finding in their audit work and directly report to responsible body.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1 Strongly Agree	11	26.2	26.2	26.2
2 Agree	17	40.5	40.5	66.7
3 Neutral	7	16.7	16.7	83.3
4 Disagree	5	11.9	11.9	95.2
5 Strongly disagree	2	4.8	4.8	100.0
Total	42	100.0	100.0	

IDIAQ6 Internal auditors can freely access necessary company documents, information and data for their audit work.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1 Strongly Agree	6	14.3	14.3	14.3
2 Agree	20	47.6	47.6	61.9
3 Neutral	5	11.9	11.9	73.8
4 Disagree	9	21.4	21.4	95.2
5 Strongly disagree	2	4.8	4.8	100.0
Total	42	100.0	100.0	

MSQ1 Management take timely corrective action based on internal audit recommendations

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1 Strongly Agree	3	7.1	7.1	7.1
2 Agree	9	21.4	21.4	28.6
3 Neutral	14	33.3	33.3	61.9
4 Disagree	13	31.0	31.0	92.9
5 Strongly disagree	3	7.1	7.1	100.0
Total	42	100.0	100.0	

MSQ2 There is higher management commitment to strengthen the internal audit division.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1 Strongly Agree	4	9.5	9.5	9.5
2 Agree	4	9.5	9.5	19.0
3 Neutral	12	28.6	28.6	47.6
4 Disagree	17	40.5	40.5	88.1
5 Strongly disagree	5	11.9	11.9	100.0
Total	42	100.0	100.0	

**MSQ3 Internal Auditors receive full cooperation, access to records and information
from company management**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1 Strongly Agree	3	7.1	7.1	7.1
2 Agree	19	45.2	45.2	52.4
3 Neutral	8	19.0	19.0	71.4
4 Disagree	10	23.8	23.8	95.2
5 Strongly disagree	2	4.8	4.8	100.0
Total	42	100.0	100.0	

**MSQ4 Internal Auditors can get the necessary resources (facilities) that help them to
perform auditing activities as needed.**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1 Strongly Agree	2	4.8	4.8	4.8
2 Agree	19	45.2	45.2	50.0
3 Neutral	8	19.0	19.0	69.0
4 Disagree	11	26.2	26.2	95.2
5 Strongly disagree	2	4.8	4.8	100.0
Total	42	100.0	100.0	

**MSQ5 Management of the company support Internal Auditors by providing training in
order to improve their skill and update with the profession.**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1 Strongly Agree	2	4.8	4.8	4.8
2 Agree	12	28.6	28.6	33.3
3 Neutral	5	11.9	11.9	45.2
4 Disagree	14	33.3	33.3	78.6
5 Strongly disagree	8	19.0	19.0	97.6
33	1	2.4	2.4	100.0
Total	42	100.0	100.0	

MSQ6 Management of the company supports internal auditors to introduce themselves with new technology, policy or procedures when it is necessary.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1 Strongly Agree	2	4.8	4.8	4.8
2 Agree	7	16.7	16.7	21.4
3 Neutral	6	14.3	14.3	35.7
4 Disagree	18	42.9	42.9	78.6
5 Strongly disagree	9	21.4	21.4	100.0
Total	42	100.0	100.0	

MSQ7 Management of the company supports Internal Auditing staffs by budgeting funds for certification to have relevant education in auditing that allows them to audit all of the organization's/sector's systems

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1 Strongly Agree	2	4.8	4.8	4.8
2 Agree	6	14.3	14.3	19.0
3 Neutral	8	19.0	19.0	38.1
4 Disagree	11	26.2	26.2	64.3
5 Strongly disagree	15	35.7	35.7	100.0
Total	42	100.0	100.0	

MSQ8 Senior management is aware of internal audit's needs

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1 Strongly Agree	3	7.1	7.1	7.1
2 Agree	17	40.5	40.5	47.6
3 Neutral	12	28.6	28.6	76.2
4 Disagree	8	19.0	19.0	95.2
5 Strongly disagree	2	4.8	4.8	100.0
Total	42	100.0	100.0	

MSQ9 Senior management supports internal audits personnel

	Frequency	Percent	Valid Percent	Cumulative Percent
1 Strongly Agree	3	7.1	7.1	7.1
2 Agree	10	23.8	23.8	31.0
3 Neutral	15	35.7	35.7	66.7
4 Disagree	12	28.6	28.6	95.2
5 Strongly disagree	2	4.8	4.8	100.0
Total	42	100.0	100.0	