



ST.MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES

**ASSESSMENT OF INTERNAL AUDIT PRACTICE IN
KAKI PLC ADDIS ABABA, ETHIOPIA**

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SGS/0322/2012A

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MAY, 2021

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**A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY SCHOOL OF
GRADUATE STUDIES IN PARTIAL FULFILMENT OF THE REQUIREMENTS
FOR THE DEGREE OF MBA IN ACCOUNTING AND FINANCE**

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Declaration

I the undersigned, declared that the thesis entitled “ASSESSMENT OF INTERNAL AUDIT PRACTICES IN KAKI PRIVAT LIMITED COMPANY” is my original work, prepared under the guidance of Mohammed Seid (Asst. Prof.). All the sources of materials used for this thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

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Advisor’s Approval

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

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ST. MARY’S UNIVERSITY

MAY, 2021

ADDIS ABABA

Dedication

I dedicate this thesis to my father Mengesha Kihishen for nursing me with affection and love and his dedicated partnership for success in my life.

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Acronyms

COSO	Committee of Sponsoring Organization
GAO	General Accounting Office
IA	Internal Audit
IAF	Internal Audit Function
IAS	International Accounting Standards
IIA	Institute of Internal Auditors
IPPF	International Professional Practices Framework
ISPPIA	International standards for the Professional Practice of Internal auditing
PLC	Private Limited Company
S.C.	Share Company
SPSS	Statistical Package for Social Sciences

Abstract

The purpose of this study is to assess the internal audit practice in KAKI Private Limited Company. This descriptive research is conducted by using mixed method approach. The collected data was analyzed through SPSS and the findings were described statistically and also presented using tables. The findings of the study revealed that the internal audit service performs different activities in the company like checking compliance with contracts, ascertained compliance based on organizational policies and procedures. On the other hand the audit service not reviewing information contained in reports of operating departments and not checking efficiency of operating results. The internal audit is not sufficiently independent in performing their professional obligations and duties. The internal audit service of the company did not have internal audit policies and procedures. Finally it is recommended that internal audit should be engaged in checking efficiency of operating results and internal audit service has to have sufficient staff to successfully carry out its responsibilities. The management should create a good working condition to be independent in performing their professional obligations.

Key words: *Internal Audit practice, Internal Audit, compliance audit, Kaki plc.*

CHAPTER ONE

1. INTRODUCTION

1.1. Background of the study

Internal audit is the examination, monitoring and analysis of activities related to a company's operation, including its business structure, employee behavior and information systems. It is designed to review what a company is doing in order to identify potential threats to the organization's health and profitability, and to make suggestions for mitigating the risk associated with those threats in order to minimize costs. Another definition of 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. To do this, internal auditors work with management to systematically review systems and operations (Riyadh, 2017).

Auditing is an objective, systematic and independent examinations of accounts which are conducted by professionally qualified person. Auditing can be simply classified as internal and external auditing. The common definition of auditing is a systematic process of objectively obtaining and evaluating evidence regarding assertions about economic actions and events to ascertain the degree of correspondence between those assertions and established criteria and communicating the result to interested users (Gelaye, 2019).

Internal Audit is a department or an organization of people within a company that is tasked with providing unbiased, independent reviews of systems, business organizations, and processes. The role of internal audit is to provide independent assurance that an organization's risk management, governance and internal control processes are operating effectively. "An independent, objective assurance and consulting activity designed to add value and improve an organization's operations. The internal audit activity 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." Consistent with its mission, the Internal Audit Department provides management with information, appraisals, recommendations, and counsel regarding the activities examined and other significant issues (Everett, & Tremblay, 2014).

Internal auditing is essentially an appraisal activity within the organization for the review of accounting operation method and procedure, financial and other operations of the organization by measuring and evaluating efficiency and effectiveness of the organization. Auditing is an important managerial control device. The starting place for internal audit theory is the definition of internal audit. The divergence and interpretation of the audit role is explored, in terms of the way we may practice more average from the standard its own approach and style. The institution of internal auditors (IIA) definition internal auditing is an independence objective assurance, and consulting activity designed to add value and Importance to an organization's operation. It helps an organization to accomplish its objectives by bringing a systematic way of risk management, control and governance process. Internal auditing refers to an independent appraisal of the activity within the organization for the review of accounting, financial and other operations and activities by staff of auditors function as part of the management and reporting to it and not to the shareholders (Gelaye, 2019).

Internal auditors should possess the knowledge, skills, and other competencies needed to perform their individual responsibilities both cognitive skills and behavioral skills. The audit activity needs a professional staff that collectively has the necessary qualifications and competence to conduct the full range of audits required by its mandate. Auditors must comply with minimum continuing education requirements established by their relevant professional organizations and standards. Competency determines the efficiency of the auditor in setting a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes (Tesema, 2018).

Companies like KAKI PLC are operating for profit and requires strong internal audit practice. Therefore, based on the above facts it is crucial to assess the internal audit practice of kaki private limited company.

1.2. Statement of the problem

Internal audit is an important part of company's internal control system through which the company's management ensure the adequacy and proper implementation of other established controls. Poor performance of internal audit may result in failure of detecting or preventing weaknesses in other parts of the internal control system that could lead to the failure of the company Kaplan (2007). Effective and efficient performance of the internal audit can

significantly contribute to the overall company profitability by preventing the misappropriation of company resources where by minimizing cost to the organization.

The main mission of internal auditing is to assist management in achieving its objective and to add value by independently evaluating the adequacy and effectiveness of governance, risk management and control process (IIA, 2012). The capability of internal audit function (IAF) should be in line with the mandate of the organizations they serve. Internal auditors in the private sectors should be fully able to assist their organizations in fulfilling their main mandate, namely profit making and increasing shareholder value. Hence, strong and effective internal audit function plays a crucial role in the attainment of the company objective. In the same way there are different problems that challenge internal auditing practices.

There are few studies on assessment of internal audit practice in Ethiopia such as: Alemayehu (2019) , Bekele (2019), Bethlehem (2009), Negash (2019), Omer (2020), Solomon Dessye (2019), Tamiru (2018), Zebene (2017) and Zewdu (2019) tried to be review. But they focused on governmental organizations, public sectors, universities and banks. Thus, this paper was focused on assessment of internal audit practice Particularly in KAKI Private Limited Company.

Kaki private limited company is one of the private sectors in Ethiopia which is engaged in Import, Export & Transport Service Sectors. The company imports ISUZU trucks, heavy trucks, ISUZU spare parts and other brand Automobiles. In addition, it exports semi or fully processed organic agricultural products like coffee, sesame & other oil seeds. Therefore the company needs attention and strong internal audit to become profitable and to maximize wealth. It is thus required to assess whether there is an internal audit practice in relation to the scope of the audit work, internal audit quality, and level of independence and competency of internal auditors.

1.3. Research Questions

The research has been conducted to answer the following research questions;

1. Does the internal audit ensuring the degree of compliance with the rules and regulations?
2. Do management involved in the content of audit report?
3. Does the internal audit practice have a quality in terms of competence, objectivity and independence?

1.4. Objective of the study

1.4.1. General objective of the study

The general objective of the study is to assess internal audit practice in KAKI Private limited Company.

1.4.2. Specific Objectives

The specific objectives of the study are:

- To assess the role of internal audit in ensuring the degree of compliance with the rules and regulations in KAKI private limited company,
- To assess to what extent the management is involved in the content of audit report in KAKI private limited company,
- To assess the quality of internal auditing practices in KAKI private limited company in terms of competence, objectivity and independence.

1.5. Scope of the study

The study was conducted on assessment of internal audit practices. But to make the study manageable, its scope was delimited to only in KAKI Private Limited Company Addis Ababa Ethiopia. Because the study was restricted in KAKI Private Limited Company, the findings and recommendation might not be shown the overall practices of other private limited company. The research design was descriptive type of research design. The Source of data was primary and secondary data in order to get realistic data. The data analysis method was using tables as the analytical techniques.

1.6. Limitation of the Study

This research study was subject to some limitations, which the researcher faced during the assessment. Due to confidential reasons the researcher was not be able to receive enough internal audit reports or documents. The study is limited to KAKI Private Limited Company and the findings are only from the perspective of the company. The other limitation as in all case studies, the conclusions are limited to KAKI Private Limited Company

1.7. Significance of the study

The results of the study will help managers of the company to understand the internal audit practices and its effect on the company performance. The study also helps to identify areas of

weaknesses with constructive recommendations. This study can also use as a tool of integrating internal auditors and managements to be cooperative by concentrating on their gap to fill it accordingly. Moreover, it will also serve as a starting point or reference paper for the other researchers who will be working on the same subject areas.

1.8. Organization of the Paper

The study was organized in to five chapters. The first chapter of the study is concerned with the background of study, statement of the problem, objectives, scope of the study, and significance of the study. The second chapter focuses on presenting the literature review in relation to the topic. The third chapter reflected design and methodology. The fourth chapter deals with the analysis, discussions and presentation part of the research findings. The last chapter, chapter five presents the summary, conclusions, and recommendations.

CHAPTER TWO

2. LITERATURE REVIEW

2.1. Theoretical Literature Review

2.1.1. Internal Audit-Historical perspective

The demand for both external and internal auditing is sourced in the need to have some means of independent verification to reduce record-keeping errors, asset misappropriation, and fraud within business and nonbusiness organizations. The roots of auditing, in general, are intuitively described by accounting historian Richard Brown as follows: “The origin of auditing goes back to times scarcely less remote than that of accounting. Whenever the advance of civilization brought about the necessity of one man being in trusted to some extent with the property of another, the advisability of some kind of check upon the fidelity of the former would become apparent” (Ramamoorti, 2003).

As far back as 4000 B.C., historians believe, formal record-keeping systems were first instituted by organized businesses and governments in the Near East to allay their concerns about correctly accounting for receipts and disbursements and collecting taxes. Similar developments occurred with respect to the Zhao dynasty in China. The need for and indications of audits can be traced back to public finance systems in Babylonia, Greece, the Roman Empire, the City States of Italy, etc., all of which developed a detailed system of checks and counterchecks. Specifically, these governments were worried about incompetent officials prone to making bookkeeping errors and inaccuracies as well as corrupt officials who were motivated to perpetrate fraud whenever the opportunity arose. Even the Bible (referring to the period between 1800 B.C. and A.D. 95) explains the basic rationale for instituting controls rather straightforwardly: “...if employees have an opportunity to steal they may take advantage of it.” The Bible also contains examples of internal controls such as the dangers of dual custody of assets, the need for competent and honest employees, restricted access, and segregation of duties. Historically then, the emergence of double-entry bookkeeping in circa 1494 A.D. can be directly traced to the critical need for exercising stewardship and control. Throughout European history, for instance, fraud cases — such as the South Sea bubble of the 18th century, and the tulip scandal — provided the justification for exercising more control over managers (Ibid).

Within a span of a couple of centuries, the European systems of bookkeeping and auditing were introduced into the United States. As business activities grew in size, scope, and complexity, a critical need for a separate internal assurance function that would verify the (accounting) information used for decision-making by management emerged. Management needed some means of evaluating not only the efficiency of work performed for the business but also the honesty of its employees. Around the turn of the 20th century, the establishment of a formal internal audit function to which these responsibilities could be delegated was seen as the logical answer. In due course, the internal audit function became responsible for “careful collection and interpretive reporting of selected business facts” to enable management to keep track of significant business developments, activities, and results from diverse and voluminous transactions. Companies in the railroad, defense, and retail industries had long recognized the value of internal audit services, going far beyond financial statement auditing and devoted to furnishing reliable operating reports containing nonfinancial data such as “quantities of parts in short supply, adherence to schedules, and quality of the product”. Similarly, the U.S. General Accounting Office (GAO) and numerous State Auditors’ Offices, for instance, the State of Ohio Auditors’ Office, have traditionally employed large numbers of internal auditors (ibid, p.6).

2.1.2. Elements of Internal Audits

i. Formal mandate and Standards for the Professional Practice of internal audit

The audit activity’s powers and duties should be established by the public sector’s constitution, charter, or other basic legal document. Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services and shall perform internal auditing services in accordance with the International Standards for the Professional Practice of Internal Auditing as well as shall continually improve their proficiency and effectiveness and quality of their services (IIA, 2012). Professional audit standards, such as the International Professional Practices Framework promulgated by the Institute of Internal Auditors, support the implementation of the previous elements and provide a framework to promote quality audit work that is systematic, objective, and based on evidence. The existence of proper audit charter helps the audit function to perform its role independently of management influence and objectively (Tesema, 2018).

ii. Competent Staffs of Internal Auditors

Internal auditors should possess the knowledge, skills, and other competencies needed to perform their individual responsibilities both cognitive skills and behavioral skills (IIA, 2012). The audit activity needs a professional staff that collectively has the necessary qualifications and competence to conduct the full range of audits required by its mandate. Auditors must comply with minimum continuing education requirements established by their relevant professional organizations and standards. Competency determines the efficiency of the auditor in setting a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes (Ibid, p. 7).

iii. Organizational independences and objectivity of internal auditors

The chief audit executive should report to a level within the organization that allows the internal audit activity to fulfill its responsibilities. The internal audit activity should be free from interference in determining the scope of internal auditing, performing work, and communicating results and have an impartial, unbiased attitude and avoid conflicts of interest. Audit staff must have impartial attitudes and avoid any conflict of interest that create an appearance of impropriety and undermine confidence in the internal auditor, the internal audit activity, and the profession. If independence or objectivity is impaired in fact or appearance, the details of the impairment should be disclosed to appropriate parties (IIA, 2012).

iv. Top Management Supports of Internal Audit

The legitimacy of the audit activity and its mission should be understood and supported by a broad range of elected and appointed public sector officials, as well as by the media and involved citizens. Irrespective of the need for internal auditors to have access to the audit committee, the IAF must nonetheless, interact with senior management on a close and regular basis since, the character of the function is determined completely by senior management's resource allocated to it, and the support and credence it gives to the role of organization-wide . Top management has an important say in the resources devoted to the internal audit units. They are also likely to give input to the internal audit work plan which provides the internal audit department with the empowerment required for it to perform its duties and responsibilities (Tesema, 2018).

v. Risk Managements of Internal Audit

Auditors assess the sufficiency of corporate governance and the control environment and effectiveness of processes to determine, assesses, and manages risks (IIA, 2012). The management of risk involves undertaking three tasks: defining the goals of the organization, identifying the potential drivers of risk and laying out appropriate risk responses (Ibid, p.8).

2.1.3. Role of Internal Audit

Providing assurance about financial and non-financial information and mechanisms for controls are the primary roles of internal audit activity. It also reviews and appraises the soundness, adequacy and applications of accounting, finance & other operating activities and recommending effective control and ascertaining the extent of complains with established policies, laws and procedures. In order to do it in a professional and independent fashion internal audit unit should be kept distinct from other functional engaged in analyzing and reporting performance. Internal auditors are interested in evaluation the overall efficiency of data processing operation and effectiveness of internal control a major port of the management process has to do with control and every manager has an important responsibility to develop a program of control that will most effectively contribute the kinds of performance of which he/she is in charge. This control program consists of the overall control effort covering the activities over which he/she is responsible and the individual control effort which together comprise the total control efforts (Saud, 2012).

2.1.4. Applicability of Internal Auditing

The development of internal auditing has a major extent been centered in the business organization, these ties continuous in the exacting literature of the profession and the convenient treatment of problems with work of business organization. The need for internal auditing exist in all type of organization, when the completeness of activities, the volume of transaction and dependence on large number of people to exist in some combination to create operational problem (Arens and J.K., 2012).

2.1.5. Types of Audits Performed by Internal Auditors

Internal audits are conducted for different reasons and with varying objectives and with each type of risk exposure an organization would need to conduct a particular type of internal audit. Some audits are required by regulation or policy, while others are requested by

management to help improve processes or identify internal control weaknesses Aikins, (2011). The following is a summary of the various types of audits which will generally be conducted in an organization:

➤ Operational Audit

Operational audit evaluates performance of a particular function or department to assess its efficiency and effectiveness. Financial data may be used, but the primary sources of evidence are the operational policies and achievements related to organizational objectives. Internal controls and efficiencies may be evaluated during this type of audit. Some areas of operational audits include: organizational structure, processes and procedures, accuracy of data, management and security of assets, staffing, and productivity (Arens and J.K., 2012; Aikins, 2011).

➤ Compliance Audit

Compliance Audit evaluates an area's adherence to established laws, standards, regulations, policies, and procedures. Compliance audits are done because of a policy or statutory requirement. While the audit is done for regulatory reasons, the objectives are still to ensure adequate control over an important internal process (Ibid).

➤ Financial Audit

Financial Audit is a historically oriented, independent evaluation performed for the purpose of attesting to the fairness, accuracy and reliability of financial data. The central objective is to ensure that the financial activity of the department, unit or area is completely and accurately reflected in the appropriate financial reports (ibid).

➤ Follow up Audit

Follow up Audit is audits conducted approximately six months after an internal or external audit report has been issued. They are designed to evaluate corrective action that has been taken on the audit issues reported in the original report. The purpose of a follow-up audit is to revisit a past audits recommendations and management's action plans to determine if corrective actions were taken and are working, or if situations have changed to warrant different actions (ibid).

➤ Investigative Audit

Investigative Audit is an audit that takes place as a result of a report of unusual or suspicious activity on the part of an individual or a department. Fraud and financial irregularity audits are designed to verify the existence and magnitude of suspected fraud and financial

irregularities. It is usually focused on specific aspects of the work of a department or individual.

Investigations are conducted to determine the extent of loss, assess weaknesses in controls, and make recommendations for corrective actions conducted at the request of the Audit Committee of the Board of Trustees, the President, or other senior members of organization management as a result of a tip from the organizations hotline; or at the discretion of the director (ibid).

➤ Information Technology Audit

Information technology (IT) Audit is evaluates controls related to the institutions automated information processing systems. The information technology audit function develops audit programs to assess, evaluate and make recommendations to management regarding the adequacy of internal controls and security inherent in organizations information systems, and the effectiveness of the associated risk management. The goal is to ascertain that IT systems are safeguarding assets, maintaining data integrity and efficiently operating to achieve business objectives (Aikins, 2011).

➤ Management Audit

Management Audit Also called performance audit, are internal consulting projects. Because an internal audit is an activity independent of management, it is often an excellent resource to provide independent and objective insight on the efficiency of business processes. Management can request internal auditors to review a business process, organization, or strategy and the auditors do not have to worry about backlash from management. A common management audit is a review of organizational structure, such as having internal audit look at how administrative work is divided among divisions and if there are opportunities to be more efficient (ibid).

➤ Grant and Contract Audits

Grant and contract audits are designed to evaluate the contracting process, compliance with the provisions of grants and contracts, and third-party contractual performance. These audits may be performed with respect to any function, activity, department, or unit of the organization and may include all types of contracts; e.g., federal and private grants and contracts, construction contracts, and professional service contracts (Arens, 2012).

2.1.6. Role of Audit Charter and audit committee

2.1.6.1. The Role of Audit Charter

The internal audit charter is a formal document that the internal audit activity's purpose, authority, and responsibility. The internal audit charter establishes the internal audit activity's position within the organization; authorizes access to records, personnel, and physical Properties relevant to the performance of engagements; and defines the scope of internal audit activities. Furthermore, this charter provides the internal audit director with the authority to carry out the department's mission. Moreover, this charter should be written and reviewed periodically by the internal audit department. For the credibility of the charter, it should be approved by the top management and authorized by the board of directors and its audit committee (Van, 2004).

The internal audit charter establishes the internal audit activity's position within the organization, including the nature of the chief audit executive's functional reporting relationship with the board; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities. The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval. The audit charter sets the agreed role and position of internal auditing in and organization. The charter formally documents the reason of the audit function. It is important that all audit departments both develop and maintain a suitable charter. The institute of Internal Auditors has issued a statement of responsibilities that covers the role of internal auditing and this document may be used to form the basis of such a charter (Davies, 2009).

2.1.6.2. The Role of Audit Committee

The Audit Committee is responsible for reviewing and approving the Internal Audit work plans and for ensuring that appropriate action is taken by management on the audit matters raised. It will also review the resource requirements of internal audit and, at a high level, the quality of work performed. Audit Committees will similarly act as a reporting point for external auditors. Audit Committees typically comprise around 4 non-executive directors with a requirement for senior executives to attend as required. The Committee would normally meet up to 4 times a year, or as needed (ibid).

The audit committee not only plays an important monitoring role to assure the quality of financial reporting and corporate accountability, but also serves as important governance

mechanism, because the potential litigation risk and reputation impairment faced by audit committee members ensure that these audit committee members discharge their responsibilities effectively. We thus expect that firms with high-quality audit committees are less likely to have internal control weaknesses than firms with low-quality audit committees (Zhang et al, 2006). Audit Committee has the responsibilities of measuring performance of the internal audit function, appointment and dismissal of the heads of internal audit, recommending the appointment and dismissal of external auditors, support and promotes the audit function within various organizations such as independence and objectivity (Davies, 2009).

2.1.7. Scope of Internal Audit

Internal audit's work is defined by the range of risks identified. The scope of internal audit also is broad and includes such major areas as internal control systems, risk management procedures, financial information systems, testing of transactions and procedures, adherence to legal and regulatory requirements, testing of regulatory returns and special investigations. The scope of internal audit activities should include the examination and evaluation of the effectiveness of the internal control, risk management and governance systems and processes of the entire bank, including the organization's outsourced activities and its subsidiaries and branches. The scope of internal audit should encompass the examination and evaluation of the adequacy and effectiveness of the organization's system of internal control and the quality of the performance in carrying out assigned responsibilities (COSO, 2011).

2.1.8. The Quality of Internal audit Department

Internal audit department quality can be expressed in terms of the internal audit department effectiveness. To create a strong corporate organization, Internal Audit (IA) plays a critical role in governance and operations of the organization (Changwony & Rotich, 2015). In addition to this, during statutory audit, it reduces the time spent by external auditors. It is mandatory to enhance the quality of internal audit activities and processes. The internal audit department by itself is the result of the sum of the internal auditor personal performance and it creates the internal audit department effectiveness (Ramachandran, et al, 2012).

2.1.9. Staff expertise

An audit service can be performed by the skilled man power those who have an ability to make confidential judgments in conducting its function. Consequently, the internal auditors

must have the knowledge, Skill and other competencies needed to perform its responsibilities. Internal auditors should possess the knowledge, skills and other competencies needed to perform their individual responsibilities. There is generally a need for strong financial management and information technology skills. Sawyer (1995) and van Gansberghe (2005) highlight the importance of enhancing internal audit quality to achieve audit effectiveness. Internal audit function needs to have competent staffs at the required level of experience and educational qualifications to understand the risks and business they audit. The staff is required to be multidisciplinary team of experienced business experts, qualified to perform world-class internal consulting work. The attitude of internal auditors should be impartial, unbiased and avoidance of interest conflicts. In particular internal auditor should refrain from assessing specific operations for which they were previously responsible they should enhance their competencies through continuing professional development. Thus the IAF must be composed of skilled and competent staff and also conflict of interest should not be the bottleneck for the effectiveness of internal audit. The auditors shall also have the willingness to develop and update their knowledge in the subject matter. The behavior, skill and knowledge, conflict of interest will have significant effect on effectiveness of the function (Sumners & Soileau, 2008).

2.2. Reviews of Empirical Studies

Different researches were conducted on the existing practices of internal auditing in the Ethiopian context. The focus of those papers varies in terms of sectors, industries and institutions. Highlights of some previous research papers on similar subject areas including the research conclusions and recommendations are discussed as part of the assessment of previous empirical evidences and presented as follow:

2.1.1. International studies

Kabue (2020) conducted a research on the effects of internal audit on performance of public commissions in Kenya. The specific objectives of the study were; to determine the effect of expertise of the internal auditing staff on the performance of Public Commission in Kenya, to examine the effect of internal audit controls on the performance of Public Commissions in Kenya and lastly, to investigate the effect of top management support of internal Audit on performance of public Commission in Kenya. Parliamentary service commission was the proxy for public service commissions in Kenya. The study was underpinned on two theories namely the agency theory and institutional theory. The study targeted members of internal

audit committee of the twelfth parliament – (first session) the national assembly membership of committees. The study followed a descriptive study design. Primary data was collected by the use of questionnaires. Descriptive techniques through the use of descriptive statistics such as mean, frequency, percentages and standard deviations were used. Content analysis was used to collect the qualitative data. Data analysis was done through the use of Statistical Package for Social Sciences (SPSS). Data was then presented using tables and figures. The relationship between variables was achieved through the use of multiple regression analysis. The results indicated that internal audit had positive and significant effect (p-value of 0.001) on performance of public commissions in Kenya. Internal audit expertise had a p-value of 0.000 which meant it had a positive and significant effect on performance. Internal audit controls had a p-value of 0.210 which resulted to positive and but non-significant effect on performance. Top management support of internal audit had a p-value of 0.000 which implied it had a positive and significant effect on performance.

Wanyoike (2007) conducted on a survey of internal auditors risk management practices the banking industry in Kenya. This study sought to establish banking internal auditors' perception of their distinct role in the bank wide ERM process, and whether there is any conflict between internal audit and risk management departments being established to take over the ERM process. Bank internal auditors risk assessment practices in Kenya were also probed. To achieve the objectives set, a survey of involving all heads of internal audit departments in the banking industry in Kenya was conducted. Data analysis was done, and with response rate of 52%, it was concluded that the outcome of the study fairly represented the banking industry internal auditors' practices and perception of risk management. The findings indicated that seven banks out of twenty one (33%) had not established a separate risk management department. It also emerged that only 14% of the internal auditors could clearly list the distinct role of IAD and those of RMD. For institutions both departments, a conflict was already brewing between IAD and RMD in 29% of the institutions. The conflict centered mainly on lack of clarity on the distinct roles to be played by those two departments in the whole ERM process.

Faudziah (2003) the internal audit practices and performance of internal audit department. This study suggests that independence, scope of audit work, audit reporting, audit programs, management of internal audit department, performance of audit work, audit reviews, objectivity and professional proficiency are important internal auditing practices from the perception of internal auditors. This study also suggests that risk assessment, control

activities, control environment, information and communication and monitoring are important quality of internal control system from the perception of audit committee. This study also examines the influence of internal auditing practices on the quality of internal control system. Management of internal audit department, professional proficiency, objectivity and audit review significantly influence the monitoring of the quality of the internal control system. Scope of work and performance of audit work significantly influences the information and communication of the quality of the internal control system while performance of audit work, professional proficiency and objectivity significantly influence the control environment of the quality of the internal control systems.

2.1.2. Local Studies

Alemayehu (2019) the assessment of the internal auditing practices in the case of Debre Birhan University. The study investigates key problems in internal audit practices. The study used descriptive research conducted by using mixed method approach. Data collection includes questionnaire, interview and observation by taking purposive. The findings of the study revealed that Internal Audit Units in Debre Birhan University lack self-government mainly attributable to inadequate funding, involvement of Internal Auditors in non-audit work, absence of staff development programs, absence of internal audit charter and audit committee, Internal auditors dissatisfaction with their salaries, absence of quality assurance program and internal auditors fear of their lives. Less involvement of management supports. The internal auditors were unable to compete for promotion in the workplace at the university. It was seen that there is independence of internal auditors in terms of preparation of report clearly and as well as accessible to the documents that they planned.

The study conducted internal audit practices in sectors of Oromia regional state by Bekele (2019). The study used qualitative and quantitative data types. The collected data was analyzed by using a scientific method, SPSS and presented by using various tables. Based on the research results, the current practices of internal audit in Oromia regional state through taking the Mandatory Guidance requirements of IPPF as a benchmark could be summarized into three groups: components of standards that fairly complied, did not adequately complied, and poorly (below the expectation) complied within the selected sectors. In general, the mandatory guidance requirements conformance level within the selected sectors Oromia regional state did not move up to the expectation that satisfies the IAS.

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

The research conducted the assessment of internal audit practices of Ethiopian construction design and supervision Work Corporation by Negash (2019). The internal audit staff and auditee with in the corporation were the source of the required data to the researcher. The study employed descriptive research design and mixed research method. The appropriate data was collected through questionnaires distributed. The collected data was analyzed through SPSS and the findings were described statistically and also presented using tables. Mean values and standard deviation were employed to analyze the data. The study revealed that there is an independence of internal audit department in its activities from the influence of Ethiopian Construction Design and Supervision works corporation management. The study also found out that the internal audit functions add value to the overall objective of the corporation. The study also investigated that board audit committee support the independence of internal audit of the corporation.

Omer (2020) conducted a research on internal audit practice in commercial banks in Ethiopia: the case of united bank S.C. This study sought to investigate the internal audit practice in commercial banks in Ethiopia. Specifically, how the internal audit was functioning in line

with the audit work quality, scope of the audit work, the level of independence of the internal audit function and adequacy of competent internal audit staff. The data were collected through questionnaire. The respondents were selected using both probability and non-probability sampling method. The collected data were analyzed by using quantitative method. Commercial banks in Ethiopia have adequate and competent audit staff however, there is a weakness in providing trainings as a result it lacks professionals. The audit work quality of commercial banks is effective in terms of communication of audit findings with little weakness in the follow-up to correct the findings.

Solomon (2019) conducted a study on internal audit practice and its effect on company performance with focus to Ethiopian Shipping and Logistics Service Enterprise. The specific objective includes examining the effect of risk management practice and assessing the effect of internal control system in enterprise performance as well as describing the internal audit practice of the enterprise. The research used both explanatory and exploratory research methods. The primary data was collected using Likert scale questionnaires distributed to management members and internal audit department staffs and secondary data through document review of internal audit policy and charter and internal audit report. The researcher utilized purposive sampling techniques to select the participants. The descriptive statistics was used to analyze the internal audit practice of the enterprise and inferential analysis (multiple regression analysis) to determine the cause and effect relationship between internal audit activity and organizational performance and to test the hypothesis. According to the regression output the internal audit practices affect the company performance significantly and positively. The remaining two variables were positively related with company performance but their contribution was statistically insignificant. All these three independent variables are making 41.98% of the contribution for company performance.

Tamiru (2018) conducted a study on the current practices of internal audit in Private Commercial Banks of Ethiopia through taking the Mandatory Guidance requirements of IPPF as a benchmark and concluded that the mandatory guidance requirements conformance level within the selected Private Commercial Banks of Ethiopia did not move up to the expectation that satisfies the IAS. The sample of the research focused on five private banks that selected by using purposive sampling technique. Both qualitative and quantitative data types were applied in the study. He used primary and secondary data collection methods to conduct the study. Based on the research results, the current practices of internal audit in Private Commercial Banks of Ethiopia through taking the Mandatory Guidance requirements of IPPF

as a benchmark could be summarized into three groups: components of standards that fairly complied, did not adequately complied, and poorly (below the expectation) complied within the selected private banks.

Zebene (2017) conducted the study on internal audit practice in Metal and Engineering Corporation. The study investigated particularly the assessment of organizational setting, internal audit quality, management support and auditee attributes. The study adopted qualitative and quantitative methods approach in order to achieve the research objectives and to answer research questions. Specifically, the techniques instruments used to gather data was Likert scale questionnaire with interview and document reviews were used. With this research method, major findings related to the internal audit department were, adequate organizational setting, polices and manual, large enough staffs, inconsistent management support and full access to get information's while the skill of staffs is limited, compositions of the internal audit profession is not addressed other fields, lack of management attention towards internal audit report to respond timely and low cooperatives with auditees.

The study conducted on assessment of internal audit practice in Ethiopia (The Case of Finance and Economic Development Office in Adama City) by Zewdu (2019). The researcher used descriptive type of research design and data was collected from primary as well as secondary data sources. The raw data obtained from questionnaires was analyzed by using simple frequency tables. based on the findings of the study, the organization doesn't provide reasonable assurance regarding of prevention, or timely detection and correction of unauthorized acquisition, use or disposition of the entity's assets that could have a material effect on the financial statements, the company auditors doesn't involve in the activities of drafting policies and there is a problem around classification of performance deficiencies.

The study conducted by Abraham (2011) on the role of IAF in corporate governance effectiveness in the case of 13 purposely sampled commercial banks by adopting concurrent mixed research approach. Quantitative methods were used through survey of internal auditors, and interviews and documentary sources taken under the qualitative methods. From the total of 105 questionnaires were distributed to internal auditors, 78 had collected and 8 interviews were conducted with vice-presidents of 8 banks. The main findings of the study were that the rates of implementation to audit recommendation by management, attributes of IAF (or the policy for hiring and training, experience and professional certification of internal auditors), and use of IAF working papers by external auditors in the banks were low. Thus, an IAF of the banks don't possess quality and its positive impact on corporate governance

effectiveness is questionable, though IA practices were maintaining independence and it is value-added activity.

The study conducted on factors affecting internal audit effectiveness in the Ethiopian private commercial banks by Wendwosen (2019). Five hypotheses were formulated based on a comprehensive review of past literature. The study used primary sources of data through questionnaires. A cross-sectional survey design was employed, purposive sampling method was used and data were collected using structured questionnaires, with total of 168 questionnaires were distributed to internal auditors of all Private commercial banks, and 147 (a 87.5% response rate) had collected. The data were run with SPSS version 20 and standard regression analyses were carried out to examine the attributes of internal audit effectiveness. All of these five independent variables are making 60% explained internal audit effectiveness. The study found that there existed significant positive relationships between the factors (Independence and objectivity of internal auditors, Competency of internal audit staffs, Existence of audit committees) and internal audit effectiveness. However, Organizational Setting and Management support have no significant effect on internal audit effectiveness. But, private commercial banks should understand that the contributions of these variables were collectively significant to identify any noncompliance activities in their office and to add values for the internal audit effectiveness.

2.3. The Research Gap

The review of empirical studies tells that most of the studies are local studies. There are studies on internal audit practices in Ethiopia but they focused on governmental organizations and private banks. In addition there is lack of consistency on the findings of the studies on the practice of the internal audit in achieving organizational over all objectives. Accordingly, the researcher attempted to carry out this study for the reason that it is unexplored area in private limited companies Particularly in KAKI Private Limited Company examining the Internal Audit practice helps in promoting effective corporate governance and performance of the organization and could fill the gap to the literature in general in Ethiopian context.

CHAPTER THREE

3. RESEARCH DESIGN AND METHODOLOGY

This chapter presents the activities and processes that undertaken to gather data for the research work. It gives full details of how data are collected and processed for this research work. The discussion was centered on the following: Research design, Population under study, sampling techniques, sources of data, research instruments, and method of data analysis.

3.1. Research Design

This study will use explanatory design to examine the effect of Training on Employee Performance. A quantitative research design will set out to collect data. Quantitative approach helps researchers to test relationships between variables. Quantitative methods involve the processes of collecting, analyzing, interpreting, and writing the results of a study (Creswell, 2009).

A descriptive design was conducted using a quantitative research design (self-administered questionnaire) to assess internal audit practice of the company. In addition, review of secondary data will be deployed to triangulate/ explore the company's perspectives.

3.2. Research approach

A research approach is a plan of action that gives direction to conduct research systematically and efficiently. There are three main research approaches as Creswell (2014): i) quantitative (structured) approach, ii) qualitative (unstructured) approach, and iii) mixed methods research.

The approach to this study was both quantitative and qualitative (document review) research approach. Qualitative approach attempts to increase our understanding of why things are the way they are and why people act the way they do. In addition to this, the study was make use of quantitative approach for better understanding by using Five-point Likert-scale in the data analysis as well because one of the characteristic of quantitative research will make it suitable for this study. The researcher, therefore, has used combined quantitative and qualitative (mixed) approaches.

3.3. Population under Study

A population is the entire group of people, events, or thing of interest that the researcher wishes to investigate (Majid, 2018). The target populations of the study were 50 staffs that have direct relationship with auditing service in the company. The study was used a census and all targeted population were enumerated. These includes senior management team, finance and audit staffs and senior staffs from other operational departments (Assembling and Manufacturing, sales department and Auto Service Department) of the company.

3.4. Sources of Data

The Likert scale question is a psychometric scale where questions based on this scale are used in a survey. It is one of the most widely used question types in a survey. In a Likert scale survey, respondents don't choose between 'yes/no,' there are specific choices based on 'agreeing' or 'disagreeing' on a particular survey question (Johns, 2010).

Primary data was collected using self-administered (answered by the respondents themselves) Likert-scale questionnaire. In addition, secondary data reviewed from reports, organizational policy, and manuals of internal audit procedures.

3.5. Research Instruments

A Research Instrument is a tool used to collect, measure, and analyze data related to your research interests. These tools are most commonly used in health sciences, social sciences, and education to assess patients, clients, students, teachers, staff, etc. A research instrument can include interviews, tests, surveys, or checklists. The Research Instrument is usually determined by researcher and is tied to the study methodology (Parpala, 2012).

Self-administered questionnaire was deployed to staffs involved in this research. Relevant secondary data from reports and documents was reviewed to complement the findings obtained from primary data.

3.6. Methods of Data Analysis

The quantitative data collected through self-administered questionnaires was entered, and analyzed using Statistical Package for Social Sciences (SPSS) version 21.0 software. The analyzed data was described and summarized by using the descriptive statistics methods by measure frequency and percentage. Results of the study are presented using tables.

3.7. Reliability

It is a way of assessing the quality of the measurement procedure used to collect data in a dissertation. In order for the results from the study to be considered valid, the measurement procedure must first be reliable (learntech.uwe.ac.uk). In this regard the study investigated the internal audit practice on KAKI PLC in related to the level of independence of the internal audit function and adequacy of competent internal audit staff. To carry out the reliability analysis, Cronbach's Alpha (α) is the most common and would have been deployed. It represents number between 0 to 1 and scales with coefficient Cronbach's alpha greater than 0.7 considered as adequate to determine reliability (Cronbach, 1951).

Table 1: Reliability Test

Item	Cronbach's Alpha	N of Items
Organizational Setting of Internal Audit	.878	5
Independence and objectivity of internal audit	.781	5
Competency of Internal Audit staffs	.788	5
Management support of Internal Audit	.835	5
Existence of Audit Committee	.710	5
Compliance audit	.757	8
Over all item	.881	33

Source: Survey results, 2021

As indicated in the above table 1, $\alpha = .878$ for Organizational Setting of Internal Audit, $\alpha = .781$ for Independence and objectivity of internal audit, $\alpha = .788$ for Competency of Internal Audit staffs, $\alpha = .835$ Management support of Internal Audit, $\alpha = .710$ Existence of Audit Committee, $\alpha = .757$ Compliance audit. This show the questions are reliable acceptable consistency. Moreover, the overall reliability test (Cronbach's alpha) for the items was .881. This implies that the items were reliable, clear and easily understandable by the respondents.

3.8. Validity

Validity refers to the extent to which an instrument measures what it is supposed to measure and performs what it is designed to perform. To establish validity, the prepared questionnaire was provided to the advisor. The comments of the advisor were included to the questionnaire. Validity can be seen as the core of any form of assessment that is trustworthy and accurate (Bond 2003). This study investigated the assessment of the internal audit practice in KAKI PLC using primary data. Questionnaire is one of the best methods of collecting valid

information. The questionnaires are taken from Mr. Omer (2020) and they were strong and supportive to measure the assessment of internal audit practice.

3.9. Ethical Consideration

All information that was collected from the respondents' was treated with confidentiality without disclosure of the respondent identity. Moreover, no information was modified or changed hence, the information gotten was presented as collected and all literatures collected for the purpose of this study was appreciated in the reference list.

CHAPTER FOUR

4. Results and Discussion

This chapter presents the analysis and discussions for the research findings obtained from the questionnaires and document reviews. The purpose of the study was to assess internal audit practice on KAKI PLC. The study presents the findings by using of SPSS. The finding intended to answer the research objectives which were presented in previous chapter.

In order to determine the level of descriptive statistics of the study Best (1977) was applied which is on a five point Likert scale, the mean score from 1-1.8 is lowest, from 1.81-2.61 is low, from 2.62-3.41 is average/moderate, from 3.42-4.21 is good/high and from 4.22-5 is considered very good/ very high. And a value of SD of 1 less shows less variability in five point Linkert scale.

4.1. Descriptive Statistics

4.1.1. Response Rate

The questionnaires were distributed to senior management team, finance staffs, audit staffs and senior staffs from other departments of the company. For these, 50 questionnaires were distributed from which 47 questionnaires were collected. From the total questionnaires distributed 94% of the questionnaires were filled by the respondent and returned to the researcher. This demonstrated that the response rate is good.

4.1.2. Respondents Profile

Table 2 given below describes the general findings regarding the respondents' field of study level of education Professional certification and Year of experience for the respondents.

Table 2: Respondent's profile of KAKI PLC, 2021

Item	Respondents category	Frequency	Percent
Education	College Diploma	3	6.4
	Bachelor's Degree	31	66.0
	Masters	10	21.3
	Above Masters	1	2.1
	Other	2	4.3
	Accounting and Finance	20	42.6
	Management	8	17.0

Field of Study	Marketing\Economics	3	6.4
	Business Administration	7	14.9
	Others/Engineering, Law & IT	9	19.1
Year of Experience	Above two less than five years	2	4.3
	Five to less than ten years	6	12.8
	Ten years and above	39	83.0
Total		47	100

Source: Survey results, 2021

Table 2, the Academic status of staff indicated that, 3(6.4%) were Diploma holders, 31(66%) were Bachelor Degree holders, 10 (21.3%) were master degree holders respondents, 1 (2.1%) was holder of above master degree and 2(4.3%) other than specified. That means most of the respondents of the organization were degree holders and above degrees, indicating the respondents are well- informed.

In the case of field of study, the respondents were composed of Accounting 20(42.6%), Management 8(17%), Marketing/Economics 3(6.4%), Business Administration 7(14.9%) and others fields 9(19.%). This shows that employees working in the organization are experienced and knowledgeable professionals.

The respondents' years of experience were grouped into three parts. The majority share, 83%, was covered by 39 respondents that had ten and above years of work experience. 6 respondents that had five to less than ten years of work experience possessed 12.8% and followed by 2 respondents who had above two less than five years of work experience by taking 4.3% least share. This result reflected that the majority of the company staffs selected have been well experienced.

From the data processing output, all of employees in the organization are not certified professionals. In other words all internal audit staff is not certified in any accounting and public finance certificates.

4.1.3. The degree of compliance with the rules and regulations

4.1.3.1. Audit compliance

Compliance Audit evaluates an area's adherence to established laws, standards, regulations, policies, and procedures. Compliance audits are done because of a policy or statutory requirement (Arens and J.K., 2012; Aikins, 2011).

Table 3: Audit compliance in KAKI PLC 2021

	N	Mean	Std. Deviation
Verifying accuracy of amounts in financial records.	47	3.64	.673
Reviewing information contained in reports of operating departments.	47	2.32	1.024
Checking efficiency of operating results (e.g. whether cost saving alternatives are used).	47	2.06	.604
Ascertaining compliance with organizational policies and procedures.	47	3.32	.862
Checking compliance with contracts when applicable.	47	3.49	.882
Checking compliance with external laws and regulations when applicable.	47	4.02	.571
Ascertaining that operating objectives are consistent with organizational goals.	47	2.40	.614
Ascertaining that operating procedures are consistent with the operational goals.	47	2.32	.594
Over all Mean	47	2.94	

Source: Survey results, 2021

In the above table (table 3) mean 3.64 with SD 0.673 shows a majority of the respondents agree that there is verifying accuracy of amounts in financial records, whereas mean value 2.32 and SD 1.024 shows a majority of the respondents disagree on the idea that reviewing information contained in reports of operating departments. Mean value 2.06 with SD 0.604 indicated that a majority of the respondents disagree that there is checking efficiency of operating results.

In the same table mean 3.32 with SD 0.862 implies that a majority of the respondents agree that there is ascertaining compliance with organizational policies and procedures, while mean 3.49 with SD 0.882 show a majority of respondents agree that checking compliance with contracts when applicable. And mean value 4.02 with SD 0.571 a majority of respondents agree checking compliance with external laws and regulations when applicable.

Based on the above table (table 3) the mean 2.40 with SD 0.614 indicates that a majority of respondents disagree that there is ascertaining that operating objectives are consistent with organizational goals. And mean 2.32 & SD 0.594 indicates that a majority of the respondents disagree that ascertaining that operating procedures are consistent with the operational goals.

As indicated in the above table, the overall mean of the compliance audit is 2.94, which indicates that there is a moderate compliance audit in KAKI PLC.

As per the respondents, the company audit compliance level through verifying accuracy of accounts in financial records, ascertaining with organizational policy and procedures, was checking complaints with contracts when applicable and checking compliance with external laws and regulation are accordingly implementing by internal audit service. Whereas, operating procedures consistent with the operational goals, operating objectives consistent with company goals, checking efficiency of operating results and reviewing information contained with reports of operational departments are not properly practiced in KAKI PLC.

The study by Omer (2020) similar to the result, there is a checking compliance with contracts, checking compliance with internal and external laws and regulations in Commercial banks of Ethiopia.

4.1.4. The management involvement in the content of audit report

4.1.4.1. Organizational setting of internal audit

Table 4 Organizational setting of internal audit, KAKI PLC 2021

	N	Mean	Std. Deviation
The internal audit functions of the company given a sufficiently high status in the organizational structure.	47	2.64	1.179
Internal audit departments has adequate budget given the amount of auditing work planned.	47	2.55	.951
There are a complete internal audit policies and procedures to guide internal audit work.	47	2.55	.802
The company use sound established criteria to evaluate auditees' practices.	47	2.66	.915
The internal audit department is large enough to successfully carry out its duties.	47	2.32	.887
Over all Mean	47	2.54	

Source: Survey results, 2021

In the above table (table 4) the mean 2.64 with SD 1.179 indicates that a majority of respondents disagree that the internal audit functions of the company given a sufficiently high status in the organizational structure., while mean 2.55 with SD .951 shows that the

respondents disagree Internal audit departments has adequate budget given the amount of auditing work planned. Mean 2.55 with SD 0.802 indicates that the respondents disagree that there is a complete internal audit policies and procedures to guide internal audit work.

The researcher reviewed that the internal audit status of the company was positioned on the organizational structure as service which is in less status compared to other departments of the company. This indicated that the company management gives little attention to internal audit.

In the same table mean 2.66 with SD 0.915 indicates that a majority of respondents disagree that The company use sound established criteria to evaluate auditees' practices, while mean 2.32 with SD 0.887 indicates that a majority of respondents disagree that there is the internal audit department is large enough to successfully carry out its duties.

As indicated in the above table, the overall mean of the organizational setting is 2.54, which indicates that there is a low organizational setting of internal audit in KAKI PLC.

Based on the secondary data reviewed, the internal audit service of the company did not have internal audit policies and procedures to guide internal audit work. The audit service performs its work based on staffs own experience in other organizations tendency.

The top management was reluctant to support internal audit by setting effective internal audit organizational setting and high status in company structure. The management did not allocate adequate budget for audit related services. Likewise, the internal audit service is not well organized in terms of its obligations and has insufficient staffing to successfully carry out its duties and responsibilities.

The study by zebene (2017) different to the result, there is adequate organizational setting, internal audit policies and procedures and large enough staffs in metal and Engineering Corporation. This implies that top management of KAKI PLC is gives less attention in positioning and staffing internal audit services.

4.1.4.2. Existence of Audit Committee

The Audit Committee is responsible for reviewing and approving the Internal Audit work plans and for ensuring that appropriate action is taken by management on the audit matters raised. It will also review the resource requirements of internal audit and, at a high level, the quality of work performed. Audit Committees will similarly act as a reporting point for external auditors (Davies, 2009).

Table 5 Existence of Audit Committee, KAKI PLC 2021.

	N	Mean	Std. Deviation
The audit committee adopts the internal audit department strategy and plans	47	1.89	.477
The chief audit executive actively involved with the audit committee	47	1.68	.471
The audit committee reviews the internal auditors' reports and take immediate action	47	1.94	.247
The existence of audit committee enhances internal audit independence	47	1.94	.247
The audit committee report to the board of directors that allows the internal audit to achieve its responsibilities.	47	1.94	.247
Over all Mean	47	1.88	

Source: Survey results, 2021

In the above table (table 5) mean 1.89 with SD 0.477 shows a majority of the respondents disagree the audit committee adopts the internal audit department strategy and plans, while mean value 2.32 and SD 0.471 shows a majority of the respondents disagree on the idea that the chief audit executive actively involved with the audit committee. Mean value 1.94 with SD 0.24 indicated that a majority of the respondents disagree that the existence of audit committee enhances internal audit independence.

In the same table mean 1.94 with SD 0.247 implies that a majority of the respondents disagree that there is the existence of audit committee enhances internal audit independence, while mean 1.94 with SD 0.247 show a majority of respondents disagree that the audit committee report to the board of directors that allows the internal audit to achieve its responsibilities.

As indicated in the above table, the overall mean of the existence of Audit Committee is 1.88, which indicates that there is a moderate Existence of Audit Committee in KAKI PLC.

Secondary data on company's organizational structure and internal audit reports were reviewed. The review exhibited that audit committee is not formed in the company. The internal audit service is responsible to submit reports to the general manager of the company.

So far the company did not establish either board of director or audit committee so that internal audit report is submitted to general manager of the company.

A similar study conducted by Alemayehu (2019) audit committee was not established in Debre Birhan University. Similar study by Bethlehem (2009) also revealed that none of the sampled universities established audit committee. The study by Negash (2019) different to the above result indicated that, there audit committee is established in Ethiopian construction design and supervision Work Corporation.

4.1.4.3. Management support of Internal Audit

The legitimacy of the audit activity and its mission should be understood and supported by a broad range of elected and appointed public sector officials, as well as by the media and involved citizens. Irrespective of the need for internal auditors to have access to the audit committee, the IAF must nonetheless, interact with senior management on a close and regular basis since, the character of the function is determined completely by senior management’s resource allocated to it, and the support and credence it gives to the role of organization-wide. Top management has an important say in the resources devoted to the internal audit units. They are also likely to give input to the internal audit work plan which provides the internal audit department with the empowerment required for it to perform its duties and responsibilities (Tesema, 2018).

Table 6: Management support of Internal Audit, KAKI PLC 2021

	N	Mean	Std. Deviation
Management take timely corrective action based on internal audit recommendations	47	2.17	.732
Senior management is aware of internal audit’s needs/ basic resources/	47	3.40	.925
Internal audit department has sufficient staff to successfully carry out its responsibilities	47	1.96	.751
Senior management provides sufficient support and encouragement for training and developing the internal audit staff.	47	2.15	.691
There is management commitment to strengthen internal audit division	47	2.32	.594
Over all Mean	47	2.40	

Source: Survey results, 2021

In the above table (table 6) mean 2.17 with SD 0.732 shows a majority of the respondents disagree the management take timely corrective action based on internal audit recommendations, whereas mean value 3.40 and SD 0.925 shows a majority of the respondents agree on the idea that the Senior management is aware of internal audit's needs/basic resources/. Mean value 1.96 with SD 0.751 indicated that a majority of the respondents disagree that the internal audit department has sufficient staff to successfully carry out its responsibilities.

In the same table mean 2.15 with SD 0.691 implies that a majority of the respondents disagree that there is the senior management provides sufficient support and encouragement for training and developing the internal audit staff, while mean 2.32 with SD 0.594 show a majority of respondents disagree that there is management commitment to strengthen internal audit division

As indicated in the above table, the overall mean of the management support of internal audit is 2.40, which indicates that there is low management support of Internal Audit in KAKI PLC.

In addition to this the researcher reviews the human resource document of the company and assured that the internal audit staff number was three. The company has five business units and three departments. The company's number of audit staff, the business unit and department's no more comparable and not sufficient staff to successfully carry out its responsibilities.

The top management was not being able to take timely corrective measures based on internal audit recommendations. The internal audit service has not internal audit policies and procedures to guide internal audit work. The audit service performs its work based on staffs' past experience tendency. The audit service did not get sufficient support, encouragement and capacity building from top management of the company

Similarly, study by Zebene (2017) lack of management attention towards internal audit report to respond timely and inconsistency management support in Metals and Engineering Corporation. And a study by Omer (2020) also similar to the study reveals the existence of poor practice of management's commitment in providing greater attention to internal audit recommendations and there is no corrective action agreement with the management regarding the audit findings in Commercial banks of Ethiopia. In addition, the study by Alemayehu (2019) indicated less involvement of management supports in Debre Birhan University.

4.1.5. The quality of internal auditing practices

4.1.5.1. Competency of Internal Audit staffs

Internal auditors should possess the knowledge, skills, and other competencies needed to perform their individual responsibilities both cognitive skills and behavioral skills. The audit activity needs a professional staff that collectively has the necessary qualifications and competence to conduct the full range of audits required by its mandate. Auditors must comply with minimum continuing education requirements established by their relevant professional organizations and standards. Competency determines the efficiency of the auditor in setting a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes (Tesema, 2018).

Table 7 Competency of Internal Audit staffs, KAKI PLC, 2021.

	N	Mean	Std. Deviation
Internal auditors have a deep professional knowledge on the overall activities of the department.	47	3.47	.747
The company audit department or division has progressed in terms of appropriately qualified or professional staff.	47	3.49	.804
Internal auditors are proactive (controlling a situation rather than just responding).	47	2.21	.463
Internal auditors attend educational seminars for continuous training	47	1.83	.524
There is communication between internal auditors and auditees	47	3.51	.856
Over all Mean	47	2.90	

Source: Survey results, 2021

In the above table (table 7) mean 3.47 with SD 0.747 shows a majority of the respondents agree the internal auditors have a deep professional knowledge on the overall activities of the department, while mean value 3.49 and SD 0.804 shows a majority of the respondents agree on the idea that the company audit department or division has progressed in terms of appropriately qualified or professional staff. Mean value 2.21 with SD 0.463 indicated that a majority of the respondents disagree that the internal auditors are proactive (controlling a situation rather than just responding).

In the same table mean 1.83 with SD 0.524 implies that a majority of the respondents disagree that there is the internal auditors attend educational seminars for continuous training,

whereas mean 3.51 with SD 0.856 show a majority of respondents agree that there is communication between internal auditors and auditees.

As indicated in the above table, the overall mean of the competency of internal audit staffs is 2.90, which indicates that there is an average competency of internal audit staffs in KAKI PLC.

The researcher reviewed the document that audit service manager participated as a member of different committee such as recruitment and discipline committees.

The internal auditors have professional knowledge in the overall activities they perform and are fittingly qualified or professional staffs. However, the internal audit service lack accredited competent certified staffs. And also there was not training for internal auditors.

The finding is similar to a study conducted by Omer (2020) in Commercial banks of Ethiopia which showed, has competent audit staff. The study by Zebene (2017) different to the result the skill of staffs is limited in Metal and Engineering Corporation.

The finding is similar to a study revealed by Omer (2020) in Commercial banks of Ethiopia that, there is a weakness in providing trainings (capacity building) to the internal auditors.

4.1.5.2. Independence and objectivity of internal audit

The chief audit executive should report to a level within the organization that allows the internal audit activity to fulfill its responsibilities. The internal audit activity should be free from interference in determining the scope of internal auditing, performing work, and communicating results and have an impartial, unbiased attitude and avoid conflicts of interest. Audit staff must have impartial attitudes and avoid any conflict of interest that create an appearance of impropriety and undermine confidence in the internal auditor, the internal audit activity, and the profession. If independence or objectivity is impaired in fact or appearance, the details of the impairment should be disclosed to appropriate parties (IIA, 2012).

Table 8: Independence and objectivity of internal audit, KAKI PLC 2021

	N	Mean	Std. Deviation
Internal audit provides reports to the board of directors (audit committee)	47	2.55	.928
Internal audit staff is sufficiently independent in performing their professional obligations and duties	47	2.70	1.041
Internal audit staff does not assess specific operations for which they were previously responsible	47	2.55	1.059
Internal audit staff has free access to all information, departments and employees in the organization	47	3.40	.993
Internal auditors feel free to include any audit finding in their audit work and directly report to responsible body	47	3.55	.829
Over all Mean	47	2.95	

Source: Survey results, 2021

In the above table (table 8) mean 2.55 with SD 0.928 shows a majority of the respondents disagree the internal audit provides reports to the board of directors or audit committee, while mean value 2.70 and SD 1.041 shows a majority of the respondents disagree on the idea that the internal audit staff is sufficiently independent in performing their professional obligations and duties. Mean value 2.55 with SD 1.059 indicated that a majority of the respondents are disagree that internal audit staff does not assess specific operations for which they were previously responsible

In the same table mean 3.40 with SD 0.993 implies that a majority of the respondents disagree that there is Internal audit staff has free access to all information, departments and employees in the organization, while mean 3.55 with SD 0.829 show a majority of respondents agree that there is Internal auditors feel free to include any audit finding in their audit work and directly report to responsible body.

As indicated in the above table, the overall mean of the independence and objectivity of internal audit is 2.95, which indicates that there is an average independency and objectivity of internal audit in KAKI PLC.

The majority of respondents replay that internal audit is not sufficiently independent in performing its professional obligations and duties. The audit service is not being able to perform its duties without interference of the management, particularly in prioritizing activities to be audited by the internal audit service.

Contrary to this result, a study conducted by Alemayehu (2019) showed that there is independence of internal auditors in terms of clear report preparation and access to documents that they are required. The study by Negash (2019) also revealed that there is an independence of internal audit department in its activities from the influence of Ethiopian Construction Design and Supervision works corporation management.

CHAPTER FIVE

5. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter presents summary of the findings, conclusions and recommendations that were drawn based on the results of the responses from questionnaires and documents review. The overall objective of this study was to assess internal auditing practice in the case of KAKI PLC. It has three parts; the first part presents summary of the findings and then followed by the conclusions that made for the study as a second part. Recommendations are presented in the third sections.

5.1. Summary of Finding

The audit compliance with the rules and regulations

The study revealed that internal audit service performs different activities in the company. Among the services is checking compliance with contracts, ascertaining compliance based on organizational policies and procedures, checking compliance with external laws and regulations and verifying the accuracy of amounts in financial records. However, the audit service does not review operational efficiency and report of operating departments within the company.

The management involvement in the content of audit report

The study revealed that the audit service is accountable to the general manager of the company and audit report is submitted to the general manager. Based on the company's organizational structure the status of the internal audit is positioned as "audit service" which is not equivalent or in similar status with the other departments stated on the organizational structure of the company. So far the company did not establish board of director and audit committee.

The management of the company is aware of internal audit's basic needs and resources. But the management did not allocate adequate budget for audit related services. Likewise, the internal audit service is not well organized in terms of its obligations and has insufficient staff to successfully carry out its duties and responsibilities.

In addition, the management was not committed to take corrective action timely based on internal audit recommendations. The internal audit service has not internal audit policies and procedures to guide internal audit work. The audit service performs its work based on staffs'

past experience tendency. The audit service did not get sufficient support, encouragement and capacity building from management and manager of the company.

The quality of internal auditing practices

Assessment on independence of internal audit from the company management perspective was performed. Thus, from the study it was found that the internal audit is not sufficiently independent in performing its professional obligations and duties. The audit service is not being able to perform without interference of the management, particularly in prioritizing activities to be audited by the internal audit service.

The internal auditors have professional knowledge in the overall activities they perform and are fittingly qualified or professional staffs. However, the internal audit service lack accredited competent certified staffs.

The study showed that internal audit service in KAKI PLC has free access to all information of the company, good communication between internal auditors and auditees, and internal auditors feel free to include any audit finding in their audit work and directly report to the general manager. However, internal auditors are not working proactively (controlling a situation rather than just responding). And also audit staffs assess specific operations areas for which they were previously responsible.

5.2. Conclusions

As known internal auditing is the most important activity within the company for reviewing of accounting, financial and non-financial information and other operations of the company (Saud, 2012). Therefore the main objectives of the study were to assess the internal audit practices of KAKI PLC.

Based on the above analysis the following conclusions can be drawn by identifying the problems of internal auditing practices.

The researcher distributed a well-designed questionnaire to all target employee of the company.

As per the respondents, the company audit compliance level through verifying accuracy of accounts in financial records, ascertaining with organizational policy and procedures, was checking complaints with contracts when applicable and checking compliance with external laws and regulation are accordingly implementing by internal audit service. Whereas,

operating procedures consistent with the operational goals, operating objectives consistent with company goals, checking efficiency of operating results and reviewing information contained with reports of operational departments are not properly practiced in KAKI PLC. Regarding with the management involvement in the content of audit report and organizational setting of internal audit, the research revealed that the management has not concern and support internal audit function for the effectiveness and efficiency of internal audit service to bring and enhance the company's governance, risk management and internal control system. The management has not willingness to support internal audit by setting effective internal audit organizational setting and high status in company structure and the management did not allocate adequate budget for audit related services. Likewise, the internal audit service is not well organized in terms of its obligations and has insufficient staff to successfully carry out its duties and responsibilities. The company has not internal auditee committee and internal audit report is not properly evaluated by audit committee or nonoperational independent organ. Consequently, it is negatively affecting internal audit strategy and plan, chief audit executive's performance, internal audit function, purpose, authority and responsibility. According to the result of the research, the management of the company did not establish system to support internal audit activities through internal audit risk based annual plan, policy and internal audit charter.

The research shows that, internal audit staffs have deep professional knowledge and solid communication between internal audit and auditee are properly deployed, whereas, the company's internal auditors are not proactive and attend educational seminars for continues training. The management did not allocate adequate budget for audit related services. Similarly, the internal audit service is not well organized in terms of its obligations and has insufficient staff to successfully carry out its duties and responsibilities.

An internal audit helps a company ensure it has the proper controls, governance and risk management processes in place, according to the Institute of Internal Auditors. By nature, it's an independent activity by a person or team that can present objective findings and make recommendations for corrective measures (Asare, 2009).

5.3. Recommendations

This study was conducted in order to assess internal auditing practices in KAKI PLC and forward possible recommendations based on the findings of the study. The researcher forwards the following recommendation to ensure compliance, quality of internal auditing

practices and active involvement of the management in the expectation of auditing service of KAKI PLC.

- The top management should give due attention in positioning internal audit's organizational structure and staffing.
- Continuous top management support and involvement should be in place to enhance the performance of internal audit practices in Kaki Plc. This would be backing the company to strengthen the internal control system of the company.
- Audit Committee should be established with active involvement of independent and non-operational professionals to evaluate and support internal audit activities.
- The current reporting relationship of internal auditors to coordinating directors does not make internal auditors to enjoy some level of independence. For the purpose of enhancing the independence of the internal auditors, they should rather report to audit committee.
- The top management should support internal audit activities by facilitating pertinent training, allocating adequate budget, and required logistics to improve and add value on the operational performance of the company.
- Internal audit service should be equipped with basic policies and procedures guidance, risk based annual audit plan, and internal audit charter that are developed and endorsed by the audit committee to enhance internal audit practices in KAKI PLC.
- Internal audit should be engaged in checking efficiency of operating results (e.g. whether cost saving alternatives are used) to improve the company's performance and productivity.
- The top management should be committed and give sufficient time to take corrective action based on internal audit recommendations.
- The top management should create a good working condition to be independent in performing professional obligations and duties as per institute of internal audit standards.
- The work of the internal audit service should not be decided by the general manager. The internal audit service should be autonomous to decide what auditing activities to carry out.

5.4. Suggestion for further study

Moreover, further study is needed by conducting in-depth interviews to explore views and expectations of professional and applying inferential statistics to quantitative studies in order to suggest cause and effect relationship and to draw concrete conclusions of internal audit practice of the company compared to descriptive statistics.

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Appendix A

St. Mary's University
School of Graduate Studies

Bisrat Mengesha, Master of Science (MSC) - Accounting and Finance candidate

Telephone: 0910144450

E-mail: bisirmengesha@gmail.com

Dear Sir/Madam:

The enclosed questionnaire is designed to gather information about internal audit practices in KAKI Private Limited Company. The study is being conducted as part of the undersigned researcher's study for the degree of Master of Science in Accounting and Finance at St. Mary's University. The results of the study are expected to contribute to the understanding of internal audit practices in KAKI PLC as well add value to the development of the profession in Ethiopia.

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

I would like to assure you that the information you provide will be accessible only to the investigator. Your involvement is regarded as a great input to the quality of the research results. Hence, I believe that you will enlarge your assistance by participating in the study.

Your honest and thoughtful response is invaluable

Thank you for your participation

Kind regards,

Part I: - General Information

Instructions: Please tick (√) from the alternatives that are most applicable answer to you in respect of each of the following items

1. Qualification (Educational background)

College Diploma Masters

Bachelor's Degree Above Master

Other Specify _____

2. Field of study on your highest educational level:

Accounting and Finance Marketing / Economics

Management Business Administration

Other Specify _____

3. Professional certification (if any):

Certified Internal Auditor (CIA) Certified Public Accountant (CPA)

Certified Management Accountant (CMA)

Other (specify) _____

4. Year of experience in years

Part II: - Internal Audit Questions

The Questionnaire is prepared in Likert-scale form with five (5) point scales. I ask you to tick (√) that indicates your opinion in table below. The values of scales are 5= Strongly Agree (SA), 4= Agree (A), 3= Neutral (N), 2= Disagree (D), 1= Strongly Disagree (SD)

S.N.	Questions	1	2	3	4	5
I	Organizational Setting of Internal Audit					
1	The internal audit functions of the company given a sufficiently high status in the organizational structure.					
2	Internal audit departments has adequate budget given the amount of auditing work planned.					
3	There is a complete internal audit policies and procedures to guide internal audit work.					
4	The company use sound established criteria to evaluate auditees' practices.					
5	The internal audit department is large enough to successfully carry out its duties.					
II	Independence and objectivity of internal audit					
6	Internal audit staff is sufficiently independent in performing their professional obligations and duties					
7	Internal audit staff does not assess specific operations for which they were previously responsible					
8	Internal audit staff has free access to all information, departments and employees in the organization					
9	Internal auditors feel free to include any audit finding in their audit work and directly report to responsible body					
10	Internal audit provides reports to the board of directors (audit committee)					
III	Competency of Internal Audit staffs					
11	Internal auditors have a deep professional knowledge on the overall activities of the department.					
12	The company audit department or division has progressed in terms of appropriately qualified or professional staff.					
13	Internal auditors are proactive (controlling a situation rather than just responding).					
14	Internal auditors attend educational seminars for continuous training					
15	There is communication between internal auditors and auditees					
IV	Management support of Internal Audit					
16	Management take timely corrective action based on internal audit recommendations					
17	Senior management is aware of internal audit's needs/ basic resources/					
18	Internal audit department has sufficient staff to successfully carry out its responsibilities					
19	Senior management provides sufficient support and encouragement for training and developing the internal					

S.N.	Questions	1	2	3	4	5
	audit staff.					
20	There is management commitment to strengthen internal audit division					
V	Existence of Audit Committee					
21	The audit committee adopts the internal audit department strategy and plans					
22	The chief audit executive actively involved with the audit committee					
23	The audit committee reviews the internal auditors' reports and take immediate action					
24	The existence of audit committee enhances internal audit independence					
25	The audit committee report to the board of directors that allows the internal audit to achieve its responsibilities.					
VI	Compliance audit					
26	Verifying accuracy of account in financial records.					
27	Reviewing information contained in reports of operating departments.					
28	Checking efficiency of operating results (e.g. whether cost saving alternatives are used).					
29	Ascertaining compliance with organizational policies and procedures.					
30	Checking compliance with contracts when applicable.					
31	Checking compliance with external laws and regulations when applicable.					
32	Ascertaining that operating objectives are consistent with organizational goals.					
33	Ascertaining that operating procedures are consistent with the operational goals.					

Please suggest if you face any kind of idea in evaluation of internal audit practice in your company that is not addressed in this questionnaire.

Appendix B

Frequency Table

Compliance Audit Reliability Statistics

Cronbach's Alpha	N of Items
.757	8

Competency of Internal Audit staffs Reliability Statistics

Cronbach's Alpha	N of Items
.788	5

Organizational Setting of Internal Audit Reliability Statistics

Cronbach's Alpha	N of Items
.878	5

Existence of Audit Committee Reliability Statistics

Cronbach's Alpha	N of Items
.710	5

Management support of Internal Audit Reliability Statistics

Cronbach's Alpha	N of Items
.781	5

Organizational Setting of Internal Audit

1. The internal audit functions of the company given a sufficiently high status in the organizational structure.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	3	6.4	6.4	6.4
Disagree	16	34.0	34.0	40.4
Neutral	10	21.3	21.3	61.7
Agree	12	25.5	25.5	87.2
Strongly Agree	6	12.8	12.8	100.0
Total	47	100.0	100.0	

2. Internal audit departments has adequate budget given the amount of auditing work planned.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	4	8.5	8.5	8.5
Disagree	23	48.9	48.9	57.4
Neutral	11	23.4	23.4	80.9
Agree	8	17.0	17.0	97.9
Strongly Agree	1	2.1	2.1	100.0
Total	47	100.0	100.0	

3. There is a complete internal audit policies and procedures to guide internal audit work.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	2	4.3	4.3	4.3
Disagree	23	48.9	48.9	53.2
Neutral	17	36.2	36.2	89.4
Agree	4	8.5	8.5	97.9
Strongly Agree	1	2.1	2.1	100.0
Total	47	100.0	100.0	

4. The company use sound established criteria to evaluate auditees' practices.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	1	2.1	2.1	2.1
Disagree	24	51.1	51.1	53.2
Neutral	15	31.9	31.9	85.1
Agree	4	8.5	8.5	93.6
Strongly Agree	3	6.4	6.4	100.0
Total	47	100.0	100.0	

5. The internal audit department is large enough to successfully carry out its duties.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	8	17.0	17.0	17.0
Disagree	21	44.7	44.7	61.7
Neutral	13	27.7	27.7	89.4
Agree	5	10.6	10.6	100.0
Total	47	100.0	100.0	

Independence and objectivity of internal audit

6. Internal audit staff is sufficiently independent in performing their professional obligations and duties

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	3	6.4	6.4	6.4
Disagree	22	46.8	46.8	53.2
Neutral	11	23.4	23.4	76.6
Agree	8	17.0	17.0	93.6
Strongly Agree	3	6.4	6.4	100.0
Total	47	100.0	100.0	

7. Internal audit staff does not assess specific operations for which they were previously responsible

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	3	6.4	6.4	6.4
Disagree	27	57.4	57.4	63.8
Neutral	10	21.3	21.3	85.1
Agree	2	4.3	4.3	89.4
Strongly Agree	5	10.6	10.6	100.0
Total	47	100.0	100.0	

8. Internal audit staff has free access to all information, departments and employees in the organization

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	3	6.4	6.4	6.4
Disagree	6	12.8	12.8	19.1
Neutral	9	19.1	19.1	38.3
Agree	27	57.4	57.4	95.7
Strongly Agree	2	4.3	4.3	100.0
Total	47	100.0	100.0	

9. 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
Disagree	8	17.0	17.0	17.0
Neutral	7	14.9	14.9	31.9
Valid Agree	30	63.8	63.8	95.7
Strongly Agree	2	4.3	4.3	100.0
Total	47	100.0	100.0	

10. Internal audit provides reports to the board of directors (audit committee)

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	3	6.4	6.4	6.4
Disagree	25	53.2	53.2	59.6
Valid Neutral	10	21.3	21.3	80.9
Agree	8	17.0	17.0	97.9
Strongly Agree	1	2.1	2.1	100.0
Total	47	100.0	100.0	

Competency of Internal Audit staffs

11. Internal auditors have a deep professional knowledge on the overall activities of the department.

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	1	2.1	2.1	2.1
Disagree	4	8.5	8.5	10.6
Valid Neutral	14	29.8	29.8	40.4
Agree	28	59.6	59.6	100.0
Total	47	100.0	100.0	

12. The company audit department or division has progressed in terms of appropriately qualified or professional staff.

	Frequency	Percent	Valid Percent	Cumulative Percent
Disagree	9	19.1	19.1	19.1
Valid Neutral	6	12.8	12.8	31.9
Agree	32	68.1	68.1	100.0
Total	47	100.0	100.0	

13. There is communication between internal auditors and auditees

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	1	2.1	2.1	2.1
Disagree	8	17.0	17.0	19.1
Valid Neutral	4	8.5	8.5	27.7
Agree	34	72.3	72.3	100.0
Total	47	100.0	100.0	

14. Internal auditors are proactive (controlling a situation rather than just responding).

	Frequency	Percent	Valid Percent	Cumulative Percent
Disagree	38	80.9	80.9	80.9
Valid Neutral	8	17.0	17.0	97.9
Agree	1	2.1	2.1	100.0
Total	47	100.0	100.0	

15. Internal auditors attend educational seminars for continuous training

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	11	23.4	23.4	23.4
Valid Disagree	33	70.2	70.2	93.6
Neutral	3	6.4	6.4	100.0
Total	47	100.0	100.0	

Management support of Internal Audit

16. Management take timely corrective action based on internal audit recommendations

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	6	12.8	12.8	12.8
Valid Disagree	30	63.8	63.8	76.6
Neutral	8	17.0	17.0	93.6
Agree	3	6.4	6.4	100.0
Total	47	100.0	100.0	

17. Senior management is aware of internal audit's needs/ basic resources/

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	2	4.3	4.3	4.3
Valid Disagree	7	14.9	14.9	19.1
Neutral	9	19.1	19.1	38.3
Agree	28	59.6	59.6	97.9
Strongly Agree	1	2.1	2.1	100.0
Total	47	100.0	100.0	

18. Internal audit department has sufficient staff to successfully carry out its responsibilities

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	11	23.4	23.4	23.4
Disagree	30	63.8	63.8	87.2
Valid Neutral	3	6.4	6.4	93.6
Agree	3	6.4	6.4	100.0
Total	47	100.0	100.0	

19. Management provides sufficient support and encouragement for training and developing the internal audit staff.

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	5	10.6	10.6	10.6
Disagree	33	70.2	70.2	80.9
Valid Neutral	6	12.8	12.8	93.6
Agree	3	6.4	6.4	100.0
Total	47	100.0	100.0	

20. There is management commitment to strengthen internal audit division

	Frequency	Percent	Valid Percent	Cumulative Percent
Disagree	35	74.5	74.5	74.5
Valid Neutral	9	19.1	19.1	93.6
Agree	3	6.4	6.4	100.0
Total	47	100.0	100.0	

Existence of Audit Committee

21. The audit committee adopts the internal audit department strategy and plans

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	7	14.9	14.9	14.9
Valid Disagree	39	83.0	83.0	97.9
Agree	1	2.1	2.1	100.0
Total	47	100.0	100.0	

22. The chief audit executive actively involved with the audit committee

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	15	31.9	31.9	31.9
Valid Disagree	32	68.1	68.1	100.0
Total	47	100.0	100.0	

23. The audit committee reviews the internal auditors' reports and take immediate action

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	3	6.4	6.4	6.4
Valid Disagree	44	93.6	93.6	100.0
Total	47	100.0	100.0	

24. The existence of audit committee enhances internal audit independence

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	3	6.4	6.4	6.4
Valid Disagree	44	93.6	93.6	100.0
Total	47	100.0	100.0	

25. The audit committee report to the board of directors that allows the internal audit to achieve its responsibilities.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	3	6.4	6.4	6.4
Valid Disagree	44	93.6	93.6	100.0
Total	47	100.0	100.0	

Compliance audit

26. Verifying accuracy of amounts in financial records.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Disagree	5	10.6	10.6	10.6
Valid Neutral	7	14.9	14.9	25.5
Valid Agree	35	74.5	74.5	100.0
Total	47	100.0	100.0	

27. Reviewing information contained in reports of operating departments.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	10	21.3	21.3	21.3
Valid Disagree	21	44.7	44.7	66.0
Valid Neutral	7	14.9	14.9	80.9
Valid Agree	9	19.1	19.1	100.0
Total	47	100.0	100.0	

28. Checking efficiency of operating results (e.g. whether cost saving alternatives are used).

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	7	14.9	14.9	14.9
Valid Disagree	30	63.8	63.8	78.7
Valid Neutral	10	21.3	21.3	100.0
Valid Total	47	100.0	100.0	

29. Ascertaining compliance with organizational policies and procedures.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Disagree	12	25.5	25.5	25.5
Valid Neutral	8	17.0	17.0	42.6
Valid Agree	27	57.4	57.4	100.0
Valid Total	47	100.0	100.0	

30. Checking compliance with contracts when applicable.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	1	2.1	2.1	2.1
Valid Disagree	8	17.0	17.0	19.1
Valid Neutral	6	12.8	12.8	31.9
Valid Agree	31	66.0	66.0	97.9
Valid Strongly Agree	1	2.1	2.1	100.0
Valid Total	47	100.0	100.0	

31. Checking compliance with external laws and regulations when applicable.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Disagree	2	4.3	4.3	4.3
Valid Neutral	1	2.1	2.1	6.4
Valid Agree	38	80.9	80.9	87.2
Valid Strongly Agree	6	12.8	12.8	100.0
Valid Total	47	100.0	100.0	

32. Ascertaining that operating objectives are consistent with organizational goals.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Disagree	31	66.0	66.0	66.0
Valid Neutral	13	27.7	27.7	93.6
Valid Agree	3	6.4	6.4	100.0
Total	47	100.0	100.0	

33. Ascertaining that operating procedures are consistent with the operational goals.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Disagree	35	74.5	74.5	74.5
Valid Neutral	9	19.1	19.1	93.6
Valid Agree	3	6.4	6.4	100.0
Total	47	100.0	100.0	