



**ST. MARY'S UNIVERSITY COLLEGE
SCHOOL OF GRADUATE STUDIES**

**ASSESSMENT OF INTERNAL AUDIT PRACTICES:
THE CASE OF ETHIOPIAN TRADING BUSINESS CORPORATION**

BY:

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JUNE 2021

ADDIS ABABA, ETHIOPIA

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**BY:
LIELINA GETACHEW**

**A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY COLLEGE,
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**ST. MARY'S UNIVERSITY COLLEGE SCHOOL OF GRADUATE
STUDIES FACULTY OF BUSINESS**

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DECLARATIONS

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Dr, Asmamaw Getie. All sources of materials used for the 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.

Name

Signature

St. Mary's University College, Addis Ababa, June 2021

ENDORSEMENT

This thesis has been submitted to St.Mary's University School of graduate studies for examination with my approval as university advisor.

—

Advisor

Signature

St. Mary's University, June 2021

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LIST OF ABBREVIATIONS

ETBC	Ethiopian Trading Business Corporation
IIA	The Institute of Internal Auditors
IAE	Internal Audit Effectiveness
IA	Internal Auditor/s
GAO	General Accounting Office
IRS	Internal Revenue Service's
CPA	Certified Public Accountants
SPPIA	Standard for Professional Practice of Internal Auditors
IPPF	International Professional Practices Framework
MoFED	Ministry of Finance and Economic Development
IFRS	International Financial Reporting System
BOD	Bored of Directorate
IAF	Internal Audit Function
IAS	International Auditing Standards
IAD	Internal Audit Department
IAA	Internal Audit Activities

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ABSTRACT

The aim of this study was to assess the internal audit practices in the case of Ethiopian Trading Business Corporation. The study adopted a case study and research questions prepared to assess the internal audit practice in the corporation considering the internal audit quality, management support, organizational setting and auditee attributes as factors. The questionnaire data were analyzed using descriptive statistics and data from document review were interpreted qualitatively. The result shows that all the four factors have an impact in the internal audit practice of the corporation. The major findings related to the internal audit department of the corporation are inconsistency management support, lack of up-to-date training, lack of team spirit, insufficient cooperation of auditee towards internal audit activities, less response on audit finding and budget constraints. Considering the above finding, the study recommended that, provide short and long term training, management support the department by allocating proper budget, respond audit finding on time, facilitate team spirit, also improve the audit department structure by establishing audit staff in each enterprises and link with network system for data transaction to facilitate their performance. Since all the four factors have a great influence on the effectiveness of the internal audit practice of the corporation.

Key words; Internal Audit, Ethiopian Trading and Business Corporation

CHAPTER ONE

1. INTRODUCTION

1.1. Back ground of the study

Internal audit has an objective in evaluating and improving the effectiveness of governance, risk management and control processes. The Institute of Internal Audit's (IIA, 2001), board of directors defined internal audit as: An independent, objective assurance and consulting activity designed to add and improve an organization's operations. It assists a company in achieving its goals by implementing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control, and governance processes (IIA, 1999).

Study on the specific factors associated in internal audit effectiveness in the Greek business environment indicates that the main factors affecting internal audit effectiveness are: quality of internal audit, competence of internal audit team, independence of internal audit and management support. However, independence of internal audit is the foundation of internal audit effectiveness and most crucial factor in its model (Drogalas George, Karagiorgos Theofanis and Arampatzis Konstantions, 2015).

Moreover, internal audit effectiveness is arguably the result of the interplay among four factors: internal audit quality; management support; organizational setting and attributes of the auditee. An internal audit function's capability to provide useful audit findings and recommendations would help to raise management's interest in its recommendations. The management support with resources and commitment to improve and implement the internal audit recommendations is essential for attaining audit effectiveness. Internal audit should operate in an environment that allows for easy audits that result in valuable audit results. Further, the attitude and level of cooperation of the auditee contributed to the effectiveness of audits. Thus, internal audit effectiveness should be viewed as vibrant process that is continuously shaped by the interactions among the four factors mentioned above, especially for the public sectors (Mihret and Yismaw, 2007).

This study assess at the internal audit practice of Ethiopian Trading Business Corporation by focusing on internal audit quality, management support, organizational setting and auditee attributes. The Corporation has only one main internal audit office at corporate level. It carry out integrated business activity includes four major enterprises which are Ethiopian fruit and vegetable marketing share company (Efruit), Ethiopian Procrument

Service Enterprises, Ethiopian Grain Trade Enterprise (EGTE) and Ethiopian Trading Enterprise (All Bejimla) and the enterprises don't have their own internal auditors.

1.2. Back ground of Ethiopian Trading Business Corporation

The Ethiopian Trading Businesses Corporation is the Public Enterprise established on 22nd December, 2015 by the Council of Ministers pursuant to Article 5 of the Definition of Powers and Duties of the Executive Organ of the Federal Democratic Republic of Ethiopia Proclamation No. 916/2015 and Article 47/1 of the Public Enterprises' Proclamation No. 25/1992.

As set out in the regulation issued, the objective of the enterprise is to play a significant role in the economy of the country by stabilizing the domestic market by supplying selected agricultural and industrial products and basic commodities from both local and foreign markets competitively. In addition it provides consultancy, procurement and training services on national and international procurement basically give support to farmers in agricultural products to get reliable market. Moreover, based on the direction given by the supervising authority, attract investments that may, help in acquiring human resources, finance technology and up-to-date process of business which in turn helps the corporation may take part in investment in conducting studies, implementing the outcome thereof; administrate investment and take part when necessary.

The Corporation consolidated the former four business Enterprises known as Ethiopian Grain Trade Enterprise, Ethiopian Fruit and Vegetable Sh.co, Ethiopian Trading Enterprise (Alle) and Procurement Service Enterprise. The enterprise is supervised by Ministry of trade and also has a board of management consists of higher officials. <https://www.etbc-ethiopia.com>

1.3. Statement of the problem

Internal audit improves an organization's and service quality by maintaining good internal control system, avoiding corruption, ensuring good corporate governance, promoting accountability and greater transparency. In addition, internal auditors can promote an organization efficiency and effectiveness through providing constructive criticisms and recommendations; reducing information asymmetry in decision making; and assuring internal assertion in the business and financial reporting processes of the organization (Ebissa, 2015).

This internal audit effectiveness is strongly influenced by internal audit quality and management support whereas organizational setting and auditee attribute not have significant influence in Ethiopian public sector (Mihret and Yismaw, 2007). Hailemariam, (2014) investigated internal audit practice in Ethiopia on the management perception, management support, and independence of internal auditors, adequate and competent internal auditor's staff and the presence of approved internal audit charter through questionnaire without considering an interviews and available document review.

In addition internal audit function could be viewed as a first line defense against in adequate corporate governance and financial reporting. If there is appropriate support from the board of director and audit committee, the internal audit becomes the best position to gather intelligence on inappropriate accounting practice, inadequate internal controls and ineffective corporate governance that contribute to the effectiveness of internal audit in public sector of Malaysia (Zulkifli Baharud, 2014).

Moreover, the specific factors that affect the internal audit effectiveness in the Greek business environment are quality of internal audit, competence internal audit team, internal independence and management support. The results also reveal that independence of internal audit is the foundation of internal audit effectiveness, as it is the most crucial factor in its model (Drogalas George, 2015).

The ETBC has four enterprises which play a great role in import and export transaction, the products distributed all over the country, have high demand in the market and play a great role to stable the economy of the society in the country level. So that, strong internal audit practice is important to maintain good internal control system, avoid corruption, ensure good corporate governance, promote accountability and great transparency and as a whole to improve corporate efficiency and effectiveness.

Therefore, this research paper tries to assess internal audit practice in Ethiopian Trading Business Corporation with respect to audit quality, management support, Organizational setting and auditee attributes of audit department by considering the different studies conducted on the internal audit function.

The lack of previous empirical research on the internal audit practices were not conducted in case of Ethiopian Trading Business Corporation. To fill this gap establishes general and specific objectives as shown in the following sections.

1.4.Objective of the study

The research contains general objective and specific objective in order to have clear outcome of research undertaking.

1.4.1. General objective

The General objective of the study is assessment of internal audit practice in Ethiopian Trading Business Corporation.

1.4.2. Specific objective

The specific objectives of the research are:-

- To assess how the internal audit quality affect the internal auditor of the ETBC.
- To assess the contribution of management support for effective internal audit on ETBC.
- To assess how does the organizational setting influence the internal audit effectiveness in ETBC.
- To assess how auditee attributes influence internal audit effectiveness in Ethiopian Trading Business Corporation.

1.5.Research questions

In this study the researcher tries to address the following research question: -

- Does a quality of internal audit affect the internal audit practice of ETBC?
- Does management supports to internal audit enhance the internal audit practice in ETBC?
- Does an organizational setting affect internal audit effectiveness of ETBC?
- Does the auditees attributes affect the internal audit effectiveness of ETBC?

1.6. Significance of the study

The study assesses the internal audit practice in Ethiopian Trading and Business Corporation. The study initiates other researchers to perform a better and in-depth study on the area. It helps the management of the effectiveness or the internal audit office to improve or strengthen internal audit quality as well as help the management to know areas of support to the internal audit. In addition it indicates the benefits of the professional independency of internal audit for the improvement of the corporation. Moreover, it also explain the internal audit practice in the corporation as well as the contribution of the internal audit to the corporate development, to give an awareness for managements and enhance the efforts of internal auditor by looking on their weakness and strengths. It also used as a tool of integrating internal auditors and managements to be cooperative by concentrating on their gap to fill it accordingly.

1.7. Scope of the study

The focus of this study is on Ethiopian Trading Business Corporation an assessment of internal audit practice in those factors; internal audit quality, management support, organizational setting and auditee attributes.

1.8.Limitation of the study

While conducting this study there was limitation. Documents not found in an organized form and took long time to collect, coping of related audit documents are not allowed and problem in getting recent reference are considered as a limiting factor for the study.

1.9. Organization of the study

The research report is organized in five chapters. The first chapter states the general introduction of the study. The second chapter synthesizes existing literature. The research design and methodology are described in the third chapter. The fourth chapter data analysis and interpretation of the study. The last chapter contains summary of findings, conclusions and recommendations.

CHAPTER TWO

2. LITERATURE REVIEW

2.1. Introduction

Internal auditing practices refer to the compliance to Standards for the Professional Practice of Internal Auditing (SPPIA 2010), which is undertaken to represent the practice of internal auditing. The purpose of the standard is to delineate basic principles that represent the practice of internal audit, provide a framework for performing and promoting a broad range of value added internal auditing, establish the basis for the evaluation of internal audit performance and foster improved organizational process and operations (IIA, 2010)

Recently, internal auditing practice is being recognized as one of the major determinants of effective and efficient utilization of resources in organizations all over the world. The recent corporate failure (Pickett, 2010), the wastage of public resources and the rapid growth of professional institutions are the major contributors towards the increased current demand of internal auditing in different countries (Cohen & Sayag, 2010).

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. Also, it is a catalyst to improve an organization's governance, risk management and management controls by providing insight and recommendations based on analyses and assessments of data and business processes (Institute of Internal Auditors, 2004; Pickett, 2005; Paape, 2007; Pickett, 2010; Al-Khaddash et al., 2013). This chapter presents review of literature related to internal audit practice. It consists of general overview about concept of auditing, internal auditing, internal audit quality, and management support in internal audit, organizational setting, auditee attributes and studies in Ethiopia

2.2. Concept of auditing

In the beginning, employers were controlling their business by themselves. Through time, however, as their wealth grows from time to time they require someone to control their wealth by asking their treasure on behalf of them and report the result periodically. During medieval times, this person was referred to as an "auditor," a term derived from the Latin word "audire," which meaning "to hear." Auditing is defined as a systematic process of objectively obtaining and evaluating evidence regarding assertions about economic actions and events to ascertain the degree of correspondence between specific statements and criteria, as well as presenting the results to interested users (Kagermen, 2008). Auditing is critical, inquisitive, and concerned with the foundation underlying accounting

measurements and assertions; it is analytical, not constructive. Proof is emphasized in auditing, as is the backing for financial statements and data. Auditing's roots are not in accounting, which it examines, but in logic, which it tests. The overall objective of every audit engagement includes: to evaluate whether financial statements and accompanying footnotes are in accordance with specified criteria, evaluate the effectiveness and appropriateness of internal control systems over financial reporting, to evaluate the possibility of fraud occurring within the organization and to evaluate the likelihood that the organization will continue as a going concern (Messier, 2008).

2.3.Types of audit and auditors

2.3.1. Types of audits performed by internal auditors

➤ Financial Audits:

These audits examine accounting and financial transactions to see if commitments, authorizations, and the receipt and disbursement of monies are recorded and reported properly and accurately. This form of audit also evaluates if proper controls over cash and other assets, as well as procedural controls over the acquisition and use of current resources, are in place (Biniyam, 2017).

➤ Operations Audits:

These audits examine the use of resources to determine if resources are being used in the most effective and efficient manner to fulfill the organization's mission and objectives (Biniyam, 2017)

➤ Compliance Audits:

The purpose of these audits is to see if organizations are following all applicable laws, rules, policies, and procedures. Examples include federal and state laws, and Trustee policies and regulations (Biniyam, 2017).

➤ Performance Audit

It is an independent examination of a program, function, operation or the management systems and procedures of a governmental or non-profit entity to assess whether the entity is achieving economy, efficiency and effectiveness in the employment of available resources (INTOSAI and GAO, 2014). The examination is objective and systematic, generally using structured and professionally adopted methodologies.

➤ Information Systems Audits:

These audits review the internal control environment of automated information processing systems and how people use those systems. The System inputs/outputs, processing controls, backup and recovery plans, system security, and computer facility reviews are frequently evaluated during audits (Spencer, 2005).

➤ **Internal Control Reviews:**

Payroll and benefits, cash management, inventory and equipment, physical security, grants and contracts, and financial reporting are among the areas where these audits are focused (Spencer, 2005).

➤ **Investigative /fraud audits:**

This type of audits is done to examine incidents of possible fraud or misappropriation of funds (Spencer, 2005).

2.3.2. Types of auditors

The four most common categories of auditors are as follows: (Arens, 1997)

Auditors from the General Accounting Office (GAO): - its basic purposes are consistent with its role as an independent, nonpolitical agency in the legislative branch, carry out legal, accounting, auditing, and claim settlement functions with respect to federal government programs. In addition make recommendations that are designed to provide for more efficient and effective government operations.

Internal revenue agents: - the internal revenue service's (IRS) under the direction of the commissioner of internal revenue, has as its responsibility the enforcement of the federal tax laws as Congress has defined them, and the courts have interpreted them. One of the IRS's main responsibilities is to audit tax payers' returns to see if they've complied with tax laws. Internal revenue agents are the auditors who conduct these investigations.

Internal auditors: - internal auditors are employed by individual companies to audit for management much as the GAO does for congress. Internal audit groups at law firms can number in the hundreds, and they often report to the president, another high executive officer, or even the audit committee of board of directors. Internal auditors' responsibilities vary considerably, depending on the employer some internal audit staff consist of only one or two employees who may spend most of their time doing routine compliance auditing.

Certified public accountants (CPAs): CPA firms are responsible for doing audits on the published financial statements of all publicly listed companies, the majority of other responsibly big companies, as well as many small businesses and non-profit organizations.

The usage of the title certified public accountant (CPA) is governed by state legislation, which is administered by each licensing agency.

2.4. Concepts of internal auditing

Internal auditing is one of the central pillars of good corporate governance. Internal audit supports the audit committee and the chief executive office Level. It is an independent, objective assurance and advisory function, designed to add value through the audit of the internal control system, risk management and the governance processes (Marc Eulerich, 2020). It also intended to add value and improve the operations of businesses by aiding them in achieving their objectives by reviewing and enhancing risk management, control, and governance (Carcello, Herman son & Raghunandan, 2019). Internal audit can bring structured principles and a disciplined methodology to appraise and evaluate the efficiency of control systems, risk management, and governance processes (Ho and Hutchinson, 2010).

Effective internal control system provides reasonable assurance that the organization's objectives and goals will be achieved. Internal audit provided four benefits to managers. These advantages included providing managers with a foundation for judgment and action, assisting managers by reporting control and performance flaws, and advocating internal control improvement (Jenny, Mazlina and Nava, 2008).

The role of internal audit in corporate governance is to assess the fairness of financial statements, to compliance with applicable standards and rules, and to provide creative advice for the effectiveness and operational efficiency of the company. Effectiveness and efficiency of the implementation of external audits is influenced by the availability of internal audits, knowledge and experience of internal auditors internal audit quality, level of coordination between internal auditors and external auditors, level of risk in the audit environment, external auditor work style, and inherent risk the amount of fee that must be given to the external auditor (IrwanAdimas Ganda, 2019)

The main role of internal audit as independent appraisal of internal control system, independent review of the efficient operation of the organization, proper safeguarding of asset and preventing and detecting fraud and errors (HO & Hutchinson). SPPIA are criteria by which internal auditors' activities are evaluated and measured, and they are designed to represent internal auditing practice as it should be, as well as to serve the entire profession of internal auditing (Fadzil, Haron, and Jantan (2008). It was created in June 1978 at the

international congress of internal auditors in San Francisco. The SPPIA consist the following five standards.

2.4.1. Independence of audit

Independence is the freedom from the control and direct influence of line management. This definition is an important to the extent of audit work and enhances internal audit's objectivity and integrity. Internal auditors should be independent from the activity they are auditing. Internal auditors' independence allows them to make impartial and unbiased decisions on the correct conduct of audits, which is achieved by organizational status and objective (Simon, 1995). Internal auditing standards independence is to make objective judgment and mental free from directly management responsibility for what he is being audited, he is free to choose and transaction for audit and is allowed access to all necessary information to come up with informal judgments (Diamond, 2002).

2.4.2. Professional efficiency

Standard of SPPIA professional efficiency assumes that the audit staff must have professional knowledge as well as sufficient knowledge of internal auditing function. Professional proficiency assumes an appropriate audit methodology, technical competence, and sufficient level of resourcing for the IA function. In many countries it must be recognized that audit skills are in short supply, and their professional proficiency can be very low, or the government's pay scales cannot attract or maintain suitable staff. These factors often represent an important constraint on attempts to strengthen the IA (Diamond, 2002).

2.4.3. Scope of work

By 1993 the statement of responsibility of internal audit issued at institute of internal auditor noted that the scope of internal auditing is to investigate and assess of the adequacy and effectiveness of the organizations system of control and the quality of performance in carrying out assigned responsibility. Internal auditors should examine the financial statement's correctness and dependability, as well as the methods used to identify, measure, classify, and report on them, as well as the system in place to assure regulatory compliance policies, procedures and should determine whether company is compliance with those rules, review whether the company's assets are used appropriately and ensure that the assets are safe and verify the examine efficiency and effectiveness with which resources are

employed, examine operations to see if results are in accordance with the defined objectives and goals, and whether the operation are being functioning as intended (Institute of internal auditing research foundation,2003).

2.4.4. Performance of audit work

Performance audit is an independent, objective and reliable examination of whether public sector undertakings, systems, operations, programmers, activities or organizations are operating in accordance with the principles of economy, efficiency and effectiveness. Performance standard states the nature of internal audit service and provide quality criterial intended to measure audit service. Internal auditing focuses on a specific organization's control functions, procedures, rules, and laws that are in place to ensure the most cost-effective and efficient use of resources (Diamond,2002).

2.4.5. Management of internal audit department

Management of internal auditing is an important and effective factor to be considered in managing internal control system. Internal audit's job as an assistance to internal management is frequently jeopardized. So the internal audit department frequently oversees and controls internal auditors which ensure that the controls are in place system of working as intended. Internal auditors cannot expect to implement good governance on their own unless there is a working control mechanism in place to ensure accountability (Diamond, 2002). The compliance of the internal auditing function to SPPIA has significant influence of the component of internal control system of some listed companies in Malaysia (Fadzile, 2008). As a result, compliance with the SPPIA is a sign of a good internal control system.

2.5. Quality of internal audit department

The quality of internal audit is demonstrated by the office's capability to provide useful audit findings and recommendation (Mihret and Yismaw, 2007). Those authors' further noted that the quality of the internal audit function is determined by staff expertise, scope of service, effective audit planning, fieldwork and controlling and effective communication. Hence, to say internal audit possess the expected quality, it needs to have sufficient staff experts, reasonable scope of service, effective audit planning, effective field work and controlling and effective communication with the auditee and higher management.

2.5.1. Staff expertise

An internal auditor must possess the ability to make well-justified judgments in conducting an audit (Greenawalt, 1997). 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 (Roth, 2000). Furthermore, Roth (2000) noted that whatever their back ground is, internal auditors need to learn and develop rapidly since the environment is ever changing. Similarly, IIA noted that staff requires continued training in their disciplines and must stay abreast of technological advances and changes in the organizations business.

Fadzil (2005) conducted a study to determine whether the internal audit department of the companies listed in the Bursa Malaysia complies with the standards for the professional practice of internal auditors and to determine whether compliance to internal audit standards will affect the quality of the internal control system of the company. The study used both descriptive and inferential analyses. The findings show that the monitoring portion of the internal control system is highly influenced by the management of the internal audit department, professional proficiency, objectivity, and review.

Generally, the staff needs to be composed of at the required level of skill and experience. In addition, auditors are expected to ready for further development and qualification, and then they can develop knowledge to easily understand the auditing and the business environment.

2.5.2. Scope of service

Internal auditing has undergone dramatic changes that have expanded its scope in a way that allows it to make greater contributions to the organization it serves. It is also performed in diverse legal and cultural environments; within organizations that vary in purpose, size, and structure; and also by persons within or outside the organization (Fadzil, 2005). Similarly, Nagy (2002) noted that the orientation of internal audit has shifted towards consulting and value added services and away from traditional assurance service.

Basically, there are three types of audits performed by internal auditors. These include financial audit, operational audit, and compliance audit. Financial audit aims to determine whether financial statements are prepared based on generally accepted accounting principles or not. On the other hand, operational audit is significant area in which internal audit frequently provides a unique service (Greenawalt, 1995). This type of audit helps to assess the efficiency and effectiveness of the organizational unit and recommend

alternative course of actions to improve the function. Compliance audit on the other hand is an audit aimed to determine whether the rules and procedures are followed by the employees while running the operation.

2.5.3. Audit planning

Internal audit consults management to mitigate risk, which will prevent organizations from achieving their purpose. To mitigate those risks, the function should adequately plan activities at organization level and in each specific engagement (Prawitt, 2003).

Planning is a vital audit activity and it includes preparing strategic plan, and audit programs for individual audit assignments (Mihret and Yismaw, 2007). In order to improve the likelihood of a successful engagement, internal auditors can obtain management's cooperation early in the planning process by emphasizing that their purpose is to assist management in adding value to their divisions or departments and by asking managers to sign off on planning documents prior to beginning the engagement or service.

Annual internal audit plan is the key to match the work of internal audit to the needs and expectations of the audit committee, external auditors and senior management. It allows the audit committee to confirm that board priorities are addressed and provides a basis for evaluating internal audit performance. Thus, effective audit planning helps the internal audit function to effectively discharge its objective in risk intelligent way.

2.5.4. Field work and controlling

Fieldwork involves performing the tasks identified in the audit programs to collect evidence for assessment of the auditee's current operations considering identified audit criteria. The fieldwork should be recorded in audit working papers in a consistent and standardized manner. The government of Ethiopia performance standard No.710 requires proper documentation of audit work (Ministry of Finance and Economic Development, 2004).

2.5.5. Audit communications

Despite the fact that audit communication occurs throughout the fieldwork period, written audit reports are only produced when the audits are completed. The auditors hold an exit conference with the auditee to discuss the audit findings in the draft audit reports. Before the final audit report is released, exit meetings give opportunity for auditee to address any questions or issues they may have about the audit findings. The auditee's accomplishments

are also highlighted in the reports. This improves the auditees' perception of the auditor and hence improves audit effectiveness (Van Gansberghe, 2005). Since, there is a tendency for internal auditors to be seen as critics, auditors should possess the ability to criticize wisely and motivate people to improve (Sawyer, 1995). By including a positive viewpoint on the auditee's operations in the audit reports, auditees are less likely to view internal auditors as critics.

Though the management should take responsibility for the risks of not implementing the audit recommendations, it should be the responsibilities of internal audit to follow-up the results when audit reports are produced, claims that the internal audit process has just begun (Walker, 1996; Keating, 1995). This underlines the importance of following up on audit results. The audit's incentive will be wasted if follow-up is poor or non-existent. Recommendations will be lost and the credibility of internal audit will suffer. If follow – up is absent, highlighting the status of unresolved past audit issues could minimize its effect.

2.6. Management support

Management support for the internal audit unit is a critical aspect in determining the unit's ability to achieve its goals. For an effective internal audit, senior management commitment and cooperation are required. Management can show its support for internal audit by emphasizing the need of independent, objective internal auditing in finding areas where performance can be improved recommendations of internal audit unit. The chief executives and other high government officials in district, municipal, and metropolitan assemblies should show a strong commitment to improve the quality of internal audit (Dawuda, 2017).

Support for the internal audit unit from all levels of the business to ensure that the auditors are treated with respect as much as feasible. It is critical that internal audit's position and abilities are widely understood within the business. The Internal Audit Department suffers due to less support from Senior Management (Abdulaziz and Nedal, 2013). If internal audit delivers reports that are critical of a specific part of the organization and management does nothing because of political considerations, this will only serve to erode the company's credibility internal audit function and reduces its effectiveness (Gray and Manson, 2000).

Management's failure to implement recommendations of internal audit has far reaching implications on the auditor's attitude towards improving audit quality, their commitment to develop a career as internal auditors (Mihret and Yismaw, 2007).

The effectiveness of internal audit function is highly influenced by the support of senior management (sarens and De Beelde, 2006; Mihret and Yismaw, 2007). Internal audit

reports are only off value when managers address the problems and deficiencies identified by the audits or make informed decisions to accept the risks.

2.6.1 Management response on audit

The response of management to the internal audit departments is the root for upgrading their efficiency in achieving of next tasks. Based on the audit finding report of the internal audit department, management shall respond timely corrective actions to the recommendations given by the internal audit service (Mihret and Yismaw, 2007). Response to audit findings by addressing and requiring timely responses on audit reports including those that are justifiable critical of management controls. All audit customers are obligated to respond to audit findings in written format. The reaction encapsulates management's strategy for resolving or improving the problem. All responses are included in the final audit report that is distributed to senior management, the board of governors, and the external auditors.

Wayne State University write a guide line in audit finding which majorly includes management commitments in clear and concise responses and set realistic time table and action plan for implementation. On the other hand the audited party also develops and revised accordingly all of its significant business process, policies, procedures and different guidelines for the respective positions.

2.6.2 Management commitment to strength the internal audit

Hence, internal audit to provide the required service from the function, there should be sufficient management support. Without the support of the higher management body, internal audit will not be effectively its objective (Mihret and Yismaw, 2007).

The findings and recommendations of an audit are useless unless management is committed to putting them into action. Adams (1994) used agency theory to explain that it is the interest of management to maintain a strong internal audit department. Implementation of audit recommendations is highly relevant to audit effectiveness and the management of an organization is viewed as the customer receiving internal audit service (Van Gansberghe, 2005). As a result, management's commitment to implementing audit recommendations and support for internal audit strengthening is critical to audit effectiveness (Sawyer, 1995).

Fernandez and Rainey (2006) argue that based on a comprehensive literature review, the support from top management plays an important role in organizational renewal. The internal audit function's relationship with management and concluded that management requires the internal audit function to take on an extended role to compensate for loss of

control resulting from increased organizational complexity (Sarens and Beelde, 2006). Findings of the internal auditor argued that upper management has the broadest influence on stakeholders and the management influences operations as well as the board of directors and even the internal audit function.

Further, management support has a strong impact upon the effectiveness of the internal audit function and also important as a construct in its own right but also via its links to issues of resourcing, competence and qualification and independence (Alzeban and Sawan, 2013).

2.7. Organizational setting

The organizational setting was defined as contact with top management, decision-making influence, well defined organization and whether the physician is acting as a leader. The perceived wellbeing was defined as social climate, work related exhaustion, work satisfaction, influence, development ability and supportive leadership.

The organizational setting includes the status of internal audit in the organizational structure; the probity of internal audit office's internal organization; budgetary status of the internal audit office; and the existence of sound established criteria to evaluate auditees' practices. In order to make internal auditing effective, there should exist clear policies and procedures against which organizational practices are to be gauge (Enofe and Mgbame, 2013).

The internal audit effectiveness has been influenced by the organizational setting. Different researches had concluded that the organizational setting influences the effectiveness of internal audit. The organizational setting in internal audit function activities has significant influence on the effectiveness of the function. Some of the influences include that: Internal audit office budgetary status, Organizational Policies and Procedures and Organizational status and internal organizations are among them (Mihret and Yismaw, 2007).

In addition that structure of internal audit function widely differs among different organizations. In some organizations IAF have chief audit officer who is member of senior management, but in some other organizations IAF is as part of finance and accounting function. On the other hand it may be out-sourced or combined with other assurance functions and the structure of internal audit function affects its overall activities, which intends to operate (Spencer, 2003).

The audit committee is involved in key decisions such as the replacement of the chief internal auditor; there will be greater empowerment of the internal function (Mat, 2006). In

other words, when management's control over internal audit declines, internal auditors will feel more secure in conducting audit investigations, particularly when dealing with more sensitive issues that may involve senior management. Thus structure of internal audit function can be affected by; enacted regulations, company structure, age of an organization, organizational status, activity it intends to perform and others.

As suggested in the IIA's statement of responsibilities, the organizational status of the internal auditing function and the support accorded to it by management are major determinants of its range and value. The head of the internal auditing function, therefore, should be responsible to an officer whose authority is sufficient to assure both a broad range of audit coverage and the adequate consideration of an effective action on the audit findings and recommendations. Therefore internal auditors should report to an organizational level above the levels audited. It is very obvious that the higher the organizational level reported to, the greater the range of the potential effectiveness of internal auditors and their functions which is consequently more beneficial to reaching the objectives of internal audit (Cai Chun, 1997).

2.8. Audit attributes

To conduct effective audit work, auditors are required to have full and unrestricted access to all activities, records and properties, and be provided with cooperation from the auditee (Mihret and Yismaw, 2007). Without the auditees' acceptance of the internal audit function, its objective will not be achieved. It contains auditees' proficiency in maintaining records, the internal audit function and their cooperation with internal auditors. If auditees have good record keeping system and at the same time consider internal audit as value adding service, they can cooperate with them and contribute to the effectiveness of the internal audit function.

Singaporean senior, middle and junior manager are important customers of internal audit services. Results suggest that both Singaporean senior and junior managers appreciate internal auditors that serve in the business partner role. By contrast, mid-level managers often regard internal auditing activities negatively and in terms of "watchdog" activities. Although this study investigates the perceptions of managers about the role and effectiveness of internal audit function, it is one component of internal audit effectiveness (Yee, 2008).

The audit attributes relate to the capability of the auditee to meet its intended objectives. Auditee attributes with implications on internal audit include the auditees' proficiency to

effectively meet organizational sub- goals; their attitude towards internal audit; and the level of cooperation provided to the auditor.

2.9. Internal audit practice and studies in Ethiopia

The development of modern auditing in Ethiopia is marked after the issuance of Ministry of Finance directives in 1942, which focused on public sector fund utilization (Kinfu, 1990). Today's internal audit in Ethiopia is mainly performed based on the internal audit standards developed by Ministry of finance and Economic Development (MoFfED). These standards are similar with the standards developed by Institute of Internal Auditors (IIA) (Mihret and Yismaw, 2007).

Internal auditors are responsible for; an independent, objective assurance and consulting activity designed to add value and improve the public body's operations. It assists the government in achieving its goals by implementing a systematic, disciplined approach to evaluating and improving the efficiency of risk management, control, and governance processes. The responsibilities stated are similar with the internal audit definition of institute of internal auditors. The responsibilities include providing value-adding service to the organization there by help to achieve organizational objective (MOFED, 2004). Different studies have been conducted in the internal audit function in Ethiopia. These includes (Mihert and Yismaw, 2007; Zeleke, 2007; Mihert and Woldeyohannis, 2008; Mihret 2010; Mihret et AL, 2010).

Zeleke (2007) conducted a study entitled "Effective implication of internal audit function to promote Good Governance in the public Sector". The primary objective of this study was to evaluate what extent the current and planned internal audit function is positioned to contribute towards one of the major objectives of the civil service reform program (CSRP), which aims to increase public accountability and service delivery by establishing a good organizational governance framework in the public sector. Finding reveal that, the existing internal audit function in the public sector has less satisfactory involvement to access the effectiveness of governance structure due to lack of resources, poor leadership for internal audit function performance and luck of competent personnel. However, the Study evaluated the internal audit function with respect to the corporate governance perspective and did not assess the internal audit quality and management support.

In addition, Mihrte and Woldeyohannis, (2008) conducted a case study research in an Ethiopian public enterprise. The goal of the research was to see how the characteristics of a value-adding internal audit department differed between companies. The finding reveals

that the traditional compliance audit is dominant in the organization under study contrast to value-added auditing. The study concluded that goals and strategies pursued and then level of risk faced by organizations to which internal audit provides service, papers to shape the attributes a value adding internal audit department. The study also demonstrates that the quality of strategic planning for value-added profile is attained in particular context. This study assessed the value-adding role of internal audit function in an Ethiopian public enterprise. The value adding role of internal audit function is determined by the perception of auditees and internal auditors. In this study there was no complete assessment of the audit quality, and Management support of internal audit function.

Study on internal audit practice in selected Ethiopian organizations identified factors associated with attributed of internal audit departments. It used analytical survey responses of 188 internal audit directors and staff from Ethiopian government minister, state owned enterprise and private companies. The result shows that internal audit proficiency, scope of internal audit work and quality of internal audit planning and execution are higher in organizations where organizational policy authorizing internal audit is clearly defined, organizational risk profile exposure is high and internal audits linkage with external audit is strong. Although this study identifies factors associated with attributes of internal audit function in Ethiopian organizations. But the study did not assess in depth the audit quality and management support of the internal audit function (Mihret, 2010).

2.10. Review of empirical studies

Different researches were conducted on the existing practices of internal auditing in Ethiopia and different countries context. Finding on study of assessment of internal audit practice in Ethiopian Public Enterprise shows that the risk management process, the internal audit practice in the organization, the management perception for internal audit effectiveness, structures and activities of internal audit function and the internal audit functions in control models, and risk assessment methods were significant and important for internal audit practices and risk assessment on public enterprise. Results also showed that many public enterprises management were involved in the internal audit and other internal control staff in the risk assessment process, and few enterprises management was not involved. As a result, management should pay close attention to the organization by involving internal audit and other internal control employees in the risk assessment process and utilizing their expertise in detecting, analyzing, and controlling risks in order to meet the enterprise's goals and objectives (Bineyam, 2017).

Zewdu Eskezia (2019) studied assessment of internal audit practices in Finance and Economic Development office in Adama City. The researcher used descriptive type of research design and to achieve this objective the necessary data was collected from primary as well as secondary data sources, the primary data Questionnaires were used to collect primary data from target personnel, while secondary data was gathered from manuals and other written materials and papers. The researcher chooses two departments from the company's five (5) departments to sample for the study project, such as audit, inspection, and payment and account. Simple frequency tables were used to evaluate the raw data acquired from questionnaires. The organization does not give adequate assurance for the prevention, timely identification, and correction of improper acquisition, use, or dispose of the entity's assets that could have a major effect on the financial statements, according to the conclusions of the study, the company auditors are not involved in the policy-drafting process, and there is a classification issue of performance deficiencies. Based on this finding the researcher recommends that the organization should give attention regarding to these problems and try to overcome in cooperation with the employees in order to perform a quality audit inspection within the organization.

Negash Bisrat (2019) studied assessment of internal audit practice in the case of Ethiopian Construction Design and Supervision Works Corporation based on the assumption that effective practice of internal audit can enhance the performance of any organization. The study employed descriptive research design and mixed research method. The appropriate data was collected through questionnaires distributed. 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. Finally it was found out that the management of the corporation takes action on the audit findings of the internal audit. Thus, the researcher concludes that the overall practices of the internal audit of Ethiopian Construction Design and Supervision Works Corporation is to the standard. Based on the findings to farther enhance the activities of the internal audit, it is recommended that the internal audit functions should more strengthen the compliance with IIAs standards' and audit quality review procedure in the corporate internal audit of the corporation.

Umor (2009) studied on internal audit and risk management functions of Public Listed Companies in Malaysia. The overall risk management efforts among companies of the

internal audit department are found to be low compared to the risk management department. According to the author, the low percentage could be attributed to a lack of commitment from senior management. In the United Kingdom, Fraser and Henry (2007) investigated embedding risk management: structure and methodologies. The purpose aims to report into ways by which companies identify risk and embed risk management and control procedures and to report an interaction between internal audit and audit committee and their contribution to enterprise wide risk management. This study interviewed chief auditors and external auditors on the issues identified in the purpose statement. The study found that internal auditors were believed to have a role play but concerns were expressed about experience and independence. And also found that internal audit and risk management function should be separated to preserve internal audit independence and clarify internal audit role.

2.11. Literature gap

According to the above empirical literatures, assessment of internal audit practices was performed by researchers in different organization and institution such as Bineyam Abate (2017); Negash Bisrat ; Umor (2009), Mihert (2010); Mihert and Woldeyohannis (2008); assess an internal audit practice in Ethiopian public enterprise and construction sector. In addition study in an internal audit and risk management function in Malyzeya and UK companies was done by Zewdu Eskezia (2019) and Fraser and Henry (2007). Furthermore, studies on influence of management on effectiveness of internal audit management done by Sarens and De Beelde (2006); Mihret and Yismaw (2007).

However, there is no research paper studied on assessment of internal audit practice in case of Ethiopian Trade Business Corporation. In addition, Miherete and Yismaw (2007) studied that from the four major factors only the two i.e. internal audit quality and management support have strongly influence the internal audit effectiveness in Ethiopian public sector. But in this study consider all the four factors including organizational setting and auditee attribute have strongly influence the corporation. Moreover, this research paper tries to fill the gap by utilizing empirical evidence from the business corporation and elaborate it in more detail.

CHAPTER THREE

3. RESEARCH METHODOLOGY

3.1. Introduction

This chapter consists of three sections. The first section presents the research design. The second section outlines the data collection method. The final section presents data analysis and interpretation methods.

3.2. Research design

The research design that is employed in this study is a descriptive design. Descriptive study type of research was used because this method or type of research is commonly conducted to collect detail description of existing phenomena with the intent of employing data to justify current conditions and whenever possible to draw valid general conclusions from the facts discovered (Koul, 2006). A mixed research approach (qualitative and quantitative methods) of data collection and analysis used to conduct this study since both data, together, provide a better understanding of research problem than either type by itself. A quantitative approach is used to collect and analyze data on the internal audit situation of ETBC from internal audit staff, while a qualitative approach was used to examine the part played by internal audit system in organization through document review, response from open ended questions and observation. The research intended to assess and describe the internal audit practice in ETBC.

3.3. Data collection methods

The study uses both primary and secondary data. Primary sources of data include questionnaire, whereas secondary sources data will generate through a review of relevant documents and observation.

3.3.1. Document review

The review of documents helps to understand the key facts of the corporation and also enhance the quality of finding through the qualitative methods. This method of data collection adopts to gather information from documents held in the corporation in relation to internal audit activity. So, the internal audit plan and reports, internal audit policy and manuals and websites have been critically reviewed.

3.3.2. Questionnaires

Questionnaire regarding internal audit practice prepare and distribute to all internal auditors of Ethiopian Trading Business Corporation. The study questionnaires are used standardize international questioner in order to achieve the general and specific objectives. The questioners are distributing to all 21 internal audit staffs of ETBC. The study apply Likert scale questions aim to analyze internal audit practices of the corporation in related to internal audit quality, management support, organizational setting and auditee attribute.

The research use Likert scale since it is a universal method of data collection and easy to understand and draw conclusion from the replay of the respondents. Mostly the Likert scale questions have five degrees namely strongly agree, agree, neutral (undecided), disagree, strongly disagree that are combined in to a single composite score/variable during the data analysis process (Kothari, 2004). The five point Likert scales follow through indicating scores like as follows (5) strongly agree (4) agree (3) undecided or neutral (2) disagree and (1) strongly disagree. The number indicates in the question provided to feed ordinary scale measurement and to generate data suitable for quantitative analysis (Boone Jr, 2012).

3.4. Data analysis and interpretation

The study data analyses are conducted through a descriptive statistics using qualitative and quantitative analysis. Primary data will be using Statistical Package for Social Sciences (SPSS) software-version 20.0 analyze using frequency and percentages to give a condensed picture of the data, and Excel are used for the data analysis and qualitative approach method employing for feedback are obtain using open ended questions and document review. Also the results of the study have been presented by using various tables and to assess the reliability and consistency of the instrument, the Cronbach's Alpha (α) analysis was conducted as shown in table 1.

According to Mugenda (2003), data analyses were used to process of bringing order, structure and meaning to the mass of information collected. The collected data from questionnaires was adopted and coded for completeness and accuracy and the response on each item put into specific themes in scientific way for easy analysis. In this mixed approach study both qualitative and quantitative data were analyzed and report simultaneously. In order to drawn meaningful conclusion, data was summarized and presented using appropriate table format with frequencies, percentages for classifications of

responses for easier understand and also for visual impression. The findings of Likert scale measures are evaluate according to the percentage value of the respondents.

3.5 Data reliability test of the study

Cronbach's alpha reliability (Cronbach, 1951) is one of the most widely used measures of reliability in the social and organizational sciences. Reliability is a measurement too that can be used to test the stability, consistency, or dependability of items of the questionnaires. Mugenda (2008) stated that reliabilities below 0.60 are considered weak; those ranged from 0.60 to 0.80 are considered good and acceptable.

According to the below listed table 1, the reliability analysis result of all variables revealed 0.967 and hereby the responses generated for all of the variables' used in this research are reliable enough for data analysis.

Table 1 reliability Statistics

Reliability Statistics	
Cronbach's Alpha	N of Items
.967	43

Source : questioner result, 2021

CHAPTER FOUR

4. DATA ANALYSIS AND RESULTS

4.1. Introduction

This chapter expresses the presentation and analysis of the data collected using different methods from Ethiopian Trading Business Corporation audit department. In this chapter the results of the study that collect through different methods adopt and discussions of the results followed by the conclusion are stated briefly. The analysis section is based on the data collect through questioner from the staffs of internal audit department and document review of ETBC. The first part shows results from qualitative data collection. The second part describe the general information analyze demographic situation, educational level and experience. In addition in the remaining parts analyze the internal audit quality, the management support, the organizational setting and the auditee attributes using the statistical method. In this study distributes 21 questionnaires and 18 of them are responds and the remaining not responds due to field work of employees.

4.2. Result from qualitative data collection

The following output obtained from the result of qualitative data collected through document review (annual audit plan and audit report, audit manual, policies and procedures, etc....) and open ended question output and observation of ETBC.

- There is a lack of manpower in the internal audit department considering the work volume and not cover their duties as per the plan in all branches.
- The internal audit department not gets enough information from the auditee on time and sometimes consider as fault finder rather than fact finder.
- Board of Managements doesn't allocate enough budgets to successfully carryout internal audit activities.
- Related training not given consistently which have a negative impact in skill and knowledge of the audit departments
- The report of audit investigation given to board of directors and management but there is no on time feedback and also not took proper action for audit finding.
- Internal audit practice of the corporation forbidden the audit historical data at least after 10years.
- There is no management interference in the duty of the audit department.

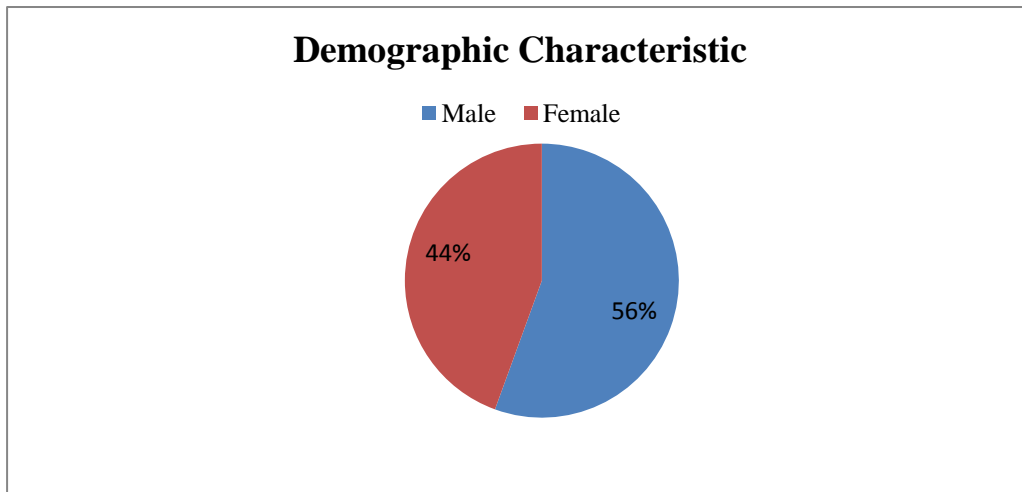
- There is a lack of team work experience.
- There is a long procedure passed to get audit evidence.

4.3. General Information of the respondent

4.3.1. The gender of internal audit staff

As it shown figure 1 respondents replay that out of the total 18 respondents, 56% are male and similarly 44% of the respondents are females. This shows that there is no as such a big difference between the number of female and male employees in the internal audit department of ETBC. As an internal audit and as whole this equality of gender pattern helps the corporation within their composition, structure, processes, organizational culture and management of human resources, and in the design and delivery of policies and services. It also helps to assess the impact of corporate performance and its management on gender equality within the corporation.

Figure 1 Gender of internal audit staff



Source: questioner results

4.3.2 Age of the respondent

As shown in table 2 below the study try to assess the age of the respondents and from the total 18 respondents age below 25 are 5.6%, age in between 25 to 30 are 38.9%, age in between 31 to 35 are 16.7%, age in between 36 to 45 are 16.7% and age in between 41-45 are 5.6 and greater than 45 of age are 16.7%. Therefore, 77.8% of workers in internal audit department of ETBC are below 40 years old. From the data analysis most of the staffs of the internal audit department are below 40 years of age. From different research journals of

financial accounting an auditor who has bagged a professional qualification can discharge official duties and the duties of care at any age. However, an effective auditor possesses personal and professional qualities. Such as analytical mind which develop progressively with age and experience, patience, diligence, good interactive skills and understanding of human behavior.

Table 2 Age of the respondent

Age of respondent					
	Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	under 25years	1	5.6	5.6	5.6
	25-30 years	7	38.9	38.9	44.4
	31-35 years	3	16.7	16.7	61.1
	36-40 years	3	16.7	16.7	77.8
	41-45 years	1	5.6	5.6	83.3
	above 45 years	3	16.7	16.7	100.0
	Total	18	100.0	100.0	

Source: questioner result, 2021

4.3.3. Educational level of respondent

As shown below table 3, the study assess the education level of the respondent and from the total 18 respondents there is no diploma holders, 88.9% of the respondents are Bachelor degree, the remaining respondent from total populations 11.1% has second degree (master) graduate. However, there is no respondent which have any special certified accountant.

Table 3 Educational level of respondent

Educational level					
	Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	bachelor degree	16	88.9	88.9	88.9
	master's degree	2	11.1	11.1	100.0
	Total	18	100.0	100.0	

Source: questioner result, 2021

4.3.4. Respondents qualification

As shown in table 4 out of the total 18 respondents 88.9% have a qualification of accounting but the remaining 11.2% of respondents have marketing and other specify (economics) qualification. This shows that most of internal audit employees of ETBC have a qualification of accounting.

Table 4 Qualification of Internal Audit department of ETBC

Field of study of the respondents				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	accounting	16	88.9	88.9
	marketing	1	5.6	94.4
	other(specify)	1	5.6	100.0
	Total	18	100.0	100.0

Source: questioner result, 2021

For analyze educational level and field of study (qualification):

From the analysis most of the internal audit staffs of ETBC are degree holders with accounting profession. However, the activities of the corporation include assessment of an organizational performance or execution of a process against a number of standards, policies, metrics, or regulations. These audits may include examining a business’s internal controls around corporate governance, accounting, financial reporting, and IT general controls. In addition the internal auditors evaluate the effectiveness/efficiency of critical business operations such as supply chain management. This all implies a combination of professionals required in the corporation and also continuous training given to staff members to be competent and more productive.

The institute of internal auditors (2013, P.5) describes the professional proficiency as “knowledge, skills and other competencies are a collective term that refers to the professional proficiency required internal auditors to carry out their professional responsibilities” Professional proficiency includes adequate knowledge, professional memberships, certification and trainings (A.Arens, 2012; Pickett, 2010). Moreover, Certified Internal Audit which is internationally recognized designation is required in ETBC. Thus certified auditors have a great value in the corporation due to change in legislation regarding financial reporting, corporate taxes, and mergers and acquisitions, an increase in the demand for auditors, and a need for increased accountability to protect the corporation.

4.3.5 Respondents work experience in and out of ETBC

As shown in the table 5 out of the total 18 respondents 44.4% answer as they have 0 -5 year experience out of ETBC, 16.7% respondents have 5-10 years' experience out of ETBC and 38.9% have above 10 years' experience out of ETBC. On the other hand the respondents replay that how long they are working in ETBC audit department as shown in the table 6 below. 11.1% of the respondents have below 2 years experiences, 55.6% of the respondents have 2 to 5 years experiences, 33.3% of the respondents have 5 to 10 years experiences in audit department in ETBC audit department.

Table 5 Year of experience out of ETBC

working experience other company				
	Frequenc y	Percent	Valid Percent	Cumulative Percent
Valid 0-5 years	8	44.4	44.4	44.4
5-10 years	3	16.7	16.7	61.1
above 10years	7	38.9	38.9	100.0
Total	18	100.0	100.0	

Source: questioner result, 2021

Table 6 Year of experience in ETBC in audit department

working experience respondent				
	Frequenc y	Percent	Valid Percent	Cumulative Percent
Valid below 2 years	2	11.1	11.1	11.1
2-5 years	10	55.6	55.6	66.7
5-10 years	6	33.3	33.3	100.0
Total	18	100.0	100.0	

Source: questioner result, 2021

Therefore, 88.9% of the workers have more than 2years experience in the audit department of the company. These shows that experience have an effect for an internal auditor in learning (educating staff how to do their work better), motivation (auditing also leads to improvement of performance), deterrence (knowing that an audit is discourage any things that can lead to abuse), and process improvements (internal audit may also ensure that the right things are done in the right way) (Eden and Moriah, 1996).

Influence of job experience on performance may not necessarily be linear. Young team leader and senior internal auditors with less year of work experience may be better in creating vision for their corporation if the knowledge gap of experience is fulfilled by education in the universities and continuous training given to them. Moreover, strategies in blending of lower, middle and high level experienced internal audit staff on job will have a great positive impact in skill and knowledge transfer and result improvement in corporate performance (McDaniel, Schmidt & Hunte, 1988; McDaniel, 1990).

4.3.6 Internal auditors' current position

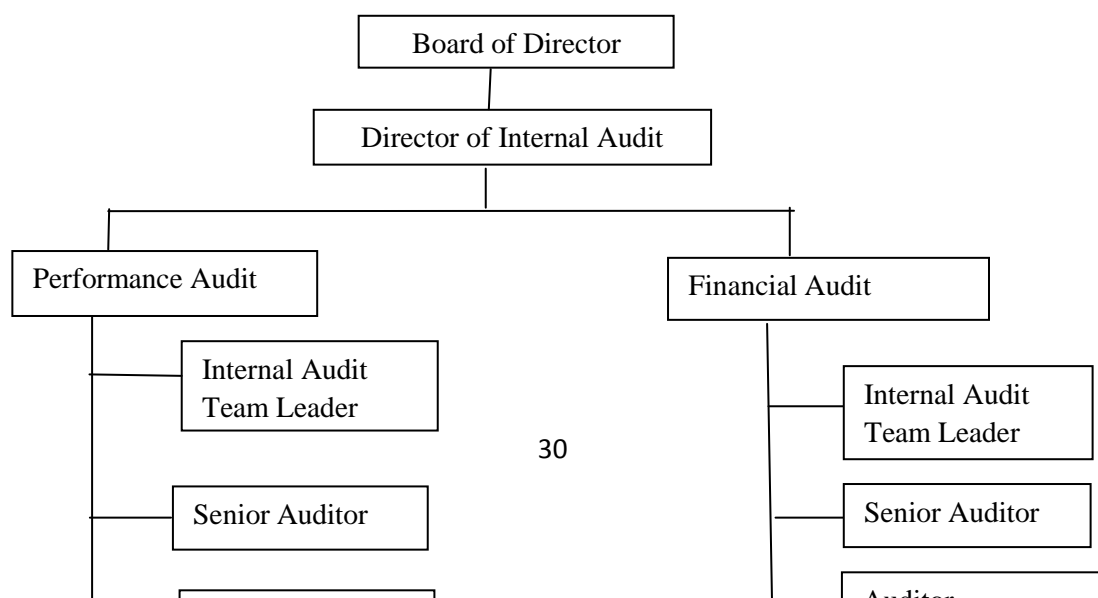
From the respondents the current position of the internal audit department as shown in table 7, 5.6% internal audit team leader, 11.1% senior auditors, and 50% auditors and 33.3% junior auditor found in the current position of the audit department. So from the data more than 83.3% or 15 workers are in position of auditor and junior auditor but the employees have more than 5year experience in ETBC and other companies. These have an impact in employee motivation that is in level of energy, emotionality, commitment, persistence and creativity in their jobs.

Table 7 current position in audit department

Current position respondent				
	Frequency	Percent	Valid Percent	Cumulative Percent
audit team leader	1	5.6	5.6	5.6
senior auditor	2	11.1	11.1	16.7
Valid Auditor	9	50.0	50.0	66.7
junior auditor	6	33.3	33.3	100.0
Total	18	100.0	100.0	

Source: questioner result, 2021

Figure 2 the General Structure of the Audit department in Ethiopian Trading Business Corporation



Source: from document review

4.4 Internal audit quality

Internal audit quality is one of the most important determinant factors in effectiveness of an internal audit functions. Hence the study tries to investigate the determinate factors of the internal audit quality which are staff experts, scope of the internal audit work, audit planning, field work and controlling activities, effective communication of the audit findings and monitoring the implementation and serious follow up of the work activity. According to the data gathered from the internal audit staffs the internal audit quality components are evidenced as it shown below in tables.

4.4.1 Staff expert

To improve their knowledge and skill internal auditors must work hard and maintain the required skills and knowledge in performing of their duties. The quality of internal audit is not only limited on the existence of skilled and competent staffs, rather the audit staff needs to hold sufficient experience to conduct the audit (Sarens and De Beelde, 2006).

Table 8 Staff experts

No	Description	Scales	Frequency	Percentage
1	Internal auditors possess sufficient experience to understand the organization systems.	Strongly Disagree		
		Disagree	2	11.1
		Neutral	5	27.8
		Agree	7	38.9
		strongly Agree	4	22.2
		Total	18	100
2	Adequate short term training is arranged for internal auditors in each year.	Strongly Disagree		
		Disagree	4	22.2
		Neutral	5	27.8
		Agree	6	33.3
		Strongly Agree	3	16.7
		Total	18	100
3	There is staff turn over	Strongly Disagree	2	11.1

		Disagree	3	16.7
		Neutral	7	38.9
		Agree	4	22.2
		Strongly Agree	2	11.1
		Total	18	100
4	There is a trend of using data transaction through network system to facilitate internal audit activity.	Strongly Disagree	3	16.7
		Disagree	6	33.3
		Neutral	2	11.1
		Agree	7	38.9
		Strongly Agree		
		Total	18	100
5	Internal auditors have sufficient knowledge to know the systems of organization.	Strongly Disagree		
		Disagree	5	27.8
		Neutral	3	16.7
		Agree	6	33.3
		Strongly Agree	4	22.2
		Total	18	100
6	Internal auditors have large enough knowledge to the new financial reporting system (IFRS).	Strongly Disagree		
		Disagree	9	50
		Neutral	4	22.2
		Agree	3	16.7
		Strongly Agree	2	11.1
		Total	18	100
7	There is adequate manpower to perform the duty of the audit department	Strongly Disagree	2	11.1
		Disagree	8	44.4
		Neutral	3	16.7
		Agree	4	22.2
		strongly Agree	1	5.6
		Total	18	100

Source: questioner result, 2021

The above Table 8 Shows the response of seven questions under the staff experts 18 respondents which consist of the first question Q No 1, that 11.1% of the respondents are dis agree, 27.8% of the respondents neutral, 38.9% of the respondents are agree and the remaining of 22.2% of the respondents strongly agreed. This implies about 61.1% of the respondents agree that the internal audit staffs have long term experience to understand the organization's system and process. This shows adequate internal controls in the corporate process.

For Q No.2, that 22.2% of the respondents are dis agree, 27.8% of the respondents are neutral, 33.3% of the respondents agree and 16.7% of the respondents strongly agree. The greater in number of the respondents replay and write a comment that adequate short term, appropriate and up-to-date technology based training in the internal audit department not arranged. Roth, (2000) noted that whatever their back ground is, internal auditors need to learn and develop rapidly since the environment is ever changing. Therefore, as an internal auditor it creates skill and knowledge gap in performance of their duties. For Q No.3, that

11.1% of respondent are strongly dis agree, 16.7% of respondents dis agree, 38.9% of respondents neutral, 22.2% of respondents are agree and 11.1% of respondents strongly agree on the turnover of audit department workers of ETBC. Grace Mubako, (2017) states that internal auditor turn over intentions are positively associated with organizational-professional conflict, restricted access to documents and personnel, and the existence of a program of using the internal audit function as management training ground. It implies internal auditor turnover in the corporation which have a severe consequences on loss of valuable knowledge and experience, loss of morale for those left, and loss of belief in the team's competence and ability to perform duties. Therefore, senior managements give measures to minimize internal auditors' staff challenge and retain them in the corporation.

For Q No.4, that 16.7% of respondents are strongly dis agree, 33.3% of respondents are dis agree, 11.1% of respondents are neutral, and 38.9 % of respondents are agree on the trend of using data transaction through network system to facilitate internal audit activity. The role of IT system affects internal audit system of an organization by internal control (control environment, risk assessment, control activities, information and communication and monitoring) and provides guidelines and best practices in evaluating techniques available to effectively perform auditing tasks internally (M. Krishna Moorthy,2011). Therefore, above half of the respondents' replay that there is lack of data transaction through network system which have a great impact in delay of audit reports and have a consequence in quality and reliability of the report. Moreover, it has an impact in promoting operational efficiency, on time decision making and effectiveness of the audit tasks as a whole.

For Q No. 5, that 27.8% of respondents dis agree, 16.7% of respondents neutral, 33.3% of respondents are agree and 22.2% of respondents are strongly agree on the knowledge to know the system of the organization. Most of the respondents agree that internal auditors have sufficient knowledge to know the system of the organization. However, in Q No.6, that 50% of respondents are dis agree, 22.2% of respondents are neutral, 16.7% of respondent are agree and 11.1% of respondents are strongly agree on the knowledge of International Financial Reporting System (IFRS).

Therefore, more than 70% of the respondents argue that there is no enough knowledge in the new international financial reporting system and also the corporation not applies till now. However, IFRS were established to create a common accounting language so that businesses and their financial statements can be consistent and reliable from company to

company and country to country. This has a great advantage for an internal auditor to create a value added strategic role in standardize internal control on the whole system. Q No.7 on availability of enough manpower respondents answered that 11.1% are strongly disagree, 44.4% of respondents are disagree, 16.7% of respondents are neutral, 22.2% of respondents agree and 5.6% of respondents strongly agree. This implies that more than 72% of the respondents agree that there is no adequate manpower. This has an impact for an internal auditor in work load and less supervision of its duties. Therefore senior management give attention for the general activity of the internal audit department in related with the organizational structure of the corporation.

4.4.2 Scope of internal audit work

The scope of internal audit is wider than external audits in performing of different audit types; hence the scope of internal audit is one of the vital points that need attention. The effectiveness of the internal audit is dependent on the availability of sufficient audit scope. Any audit function to contribute for effectiveness have to include the three types of audits (compliance, operational and financial audits) and have to give consultancy service(MoFED, 2004). The review document of the internal audit service department of ETBC shows that the internal audit service performs two types of audit; i.e. financial and performance audit and also the internal audit service give consultancy services to the management's current decision issues.

Table 9 scope of internal audit work

No.	Description	Scales	NR	Percentage
8	Internal audit office verifies accuracy amounts in financial records.	Strongly Disagree		
		Disagree	2	11.1
		Neutral	3	16.7
		Agree	10	55.6
		strongly Agree	3	16.7
		Total	18	100
9	Internal audit office evaluating the internal control system and making recommendation for improvement.	Strongly Disagree	1	5.6
		Disagree	1	5.6
		Neutral	2	11.1
		Agree	10	55.6
		strongly Agree	4	22.2
		Total	18	100
10	Internal audit office checking efficiency of operating results (e.g whether cost saving alternative areas are used)	Strongly Disagree		
		Disagree	1	5.6
		Neutral	6	33.3
		Agree	9	50

		strongly Agree	2	11.1
		Total	18	100
11	Internal audit office providing consulting services to management where internal audit has the expertise.	Strongly Disagree	1	5.6
		Disagree	3	16.7
		Neutral	3	16.7
		Agree	9	50
		strongly Agree	2	11.1
		Total	18	100

Source: questioner result, 2021

As it shown above Table 9 the response of Q No. 8, nobody strongly dis agree about office verifies accuracy amounts in financial records, 11.1% of respondents are dis agree, 16.7% of respondents are neutral, 55.6% of respondents are agree and 16.7% of respondents are strongly agree this questioner. Therefore, more than 72.2% of respondents agree that internal audit office verifies accuracy amounts in financial records in ETBC. This effective financial recording and internal control reduces the risk of asset loss, and helps to ensure the plan information is complete and accurate, reliable financial statement and the plan's operations are conducted in accordance with the provisions of applicable laws and regulations.

For Q No. 9, that 5.6% of respondents are strongly disagree, 5.6% of respondents are disagree, 11.1 of respondents neutral, 55.6% of respondents are agree and 22.2% of respondents are strongly agree. This shows that more than 67.8% of the respondents agree that the office evaluate the internal control system and making recommendation for improvement. This implies the internal auditor of the corporation assure application of auditing standard, provide constructive suggestion to the clients concerning improvement for internal control and determine the nature, extent and timing of audit tests in examination of financial statements.

For Q No.10, 5.6% of respondents are disagree, 33.3% of respondents are neutral, 50% of respondents are agree and 11.1% of respondents are strongly agree. Therefore, 61.1% of respondents argue that there is a checking in operational results in internal audit efficiency. This shows the internal auditor of the corporation examine proper utilization of the resources, the organizational structure of the corporation and its adequacy to carry out the work, implementation of policies and procedures, adequacy and reliability of controls created for smooth function of various operations and also variances between the targets and the actual performance and its cause and the extent to which variances have been reduced due to action taken by the management.

For Q No11, 5.6% of respondent are strongly disagree, 16.7% of respondent are disagree, 16.7% of respondent are neutral, 50% of respondent are agree and 11.1% of respondent are strongly agree. This implies more than 60% of respondents argue that the internal audit office provide consultancy service to management which strength the effectiveness of the corporation. Tricia Scherer (2020) states that internal auditor give consultancy service to managers in advising to improve the process, especially those concerning risk management, governance, and internal controls by analyzing data.

4.4.3 Audit planning

Planning is a vital audit activity and it includes preparing strategic plan, and audit programs for individual audit assignments (Mihret and Yismaw, 2007). Internal auditors can gain management's participation early in the planning process to boost the chances of a successful engagement by highlighting that their goal is to help management in adding value to their divisions or departments and by asking managers to sign off on planning documents prior to beginning the engagement or service.

Table 10 Audit planning

No.	Description	Scales	NR	Percentage
12	Annual internal audit plan is prepared.	Strongly Disagree		
		Disagree	1	5.6
		Neutral	2	11.1
		Agree	5	27.8
		strongly Agree	10	55.6
		Total	18	100.0
13	Internal audit completes its tasks as intended plan	Strongly Disagree		
		Disagree	3	16.7
		Neutral	7	38.9
		Agree	8	44.4
		strongly Agree		
		Total	18	100.0
14	Risk assessment is done as part of audit planning.	Strongly Disagree		
		Disagree	3	16.7
		Neutral	3	16.7
		Agree	12	66.7
		strongly Agree		
		Total	18	100.0
15	Senior management in put is considered in setting internal audit priorities.	Strongly Disagree		
		Disagree	3	16.7
		Neutral	4	22.2
		Agree	10	55.6
		strongly Agree	1	5.6
		Total	18	100.0

Source: questioner result, 2021

Based on the above table 10, the response of Q N0. 12 on preparation of annual plan, no body answer strongly disagree, 5.6% of respondent are disagree, 11.1% of respondent are neutral, 27.8% of respondent are agree and 55.6% of respondent are strongly agree. This implies more than 83.3% of the respondents argue that the internal audit department prepares its plan in annual base. This has a great value for an internal auditor which used as specific guideline, obtain sufficient appropriate evidence for the circumstances, keep audit costs at a reasonable level and also avoid misunderstanding with the client in the corporation.

For Q No. 13 completeness of task as per the proposed plan, no body answer strongly disagree and strongly agree, 16.7% of respondent are dis agree, 38.9% of respondent are neutral and 44.4% of respondent are agree. As seen from the response and the document review more than 55.6 % of respondents not argue that the task of the intended audit plan not completed as per the schedule. Mainly in ETBC as internal auditor activity like notification, opening meeting, field work, report drafting, management response, closing meeting and final audit report distribution are not accomplished as planned schedule which has a great impact on performance of the corporation. Thus are frauds like forgery, misstatements, non-recording of transactions and delay in reporting, incurred extra cost and time to perform a planned audit.

For Q No. 14, no body answer strongly disagree and strongly agree, 16.7% of respondent are disagree, 16.7% of respondent are neutral, 66.7% of respondent are agree. This shows that most of respondents argue risk assessment is done as part of audit plan in the audit department office. This is a major duty for an internal auditor which helps ETBC by identifying and assessing both the likelihood and potential impact of various risks to the corporation. Then internal controls are identified and evaluated to determine how adequate they are in reducing risk to ensure that residual risks is at manageable levels.

For Q No.15, 16.7% of respondent are disagree, 22.2% of respondent are neutral, 55.6% of respondent are agree and 5.6% of respondent are strongly agree. The overall respondents show that senior management in put is considering in setting internal audit priorities. Senior management give inputs in providing strategic overview of results and resources by strategic goal in planning, budgeting, controlling implementation, ensure distribution of resources to expected results, identifying responsibilities and accountabilities and also evaluating performance reports.

4.4.4 Field work and controlling

Fieldwork involves performing the tasks identified in the audit programs to collect evidence for assessment of the auditee current operations considering identified audit criteria. Fieldwork should be documented in audit working papers in a systematic and consistent way. The Ethiopian government's performance standard No.710 mandates that audit work be properly documented (Ministry of Finance and Economic Development, 2004).

Table 11 Field work and controlling

No.	Description	Scales	NR	Percentage
16	An internal audit supervisor (manager) supervises field work.	Strongly Disagree		
		Disagree	5	27.8
		Neutral	4	22.2
		Agree	7	38.9
		strongly Agree	2	11.1
		Total	18	100.0
17	An internal audit supervises (manager) reviews internal audit work.	Strongly Disagree		
		Disagree	4	22.2
		Neutral	1	5.6
		Agree	8	44.4
		strongly Agree	5	27.8
		Total	18	100.0

Source: questioner results, 2021

Based on the above table 11, the study asked Q No 16 on supervision of field work, 27.8% of respondent are disagree, 22.2% of respondent are neutral, 38.9% of respondent are agree and 11.1% of respondent are strongly agree. Almost 50% of the respondents argue that the internal audit supervisor or manager not supervise as per expectation in the field work supervision. Thus will have a problem for an internal audit supervisor in the field work in identifying and analyzing the key risks within the process or system, in confirming the process and any controls in place to mitigate these risks, in evaluating the extent to which the controls in place do mitigate these risks and testing the controls to confirm whether they are operating as intended.

For Q No 17 on the review of internal audit work, 22.2% of respondent are disagree, 5.6% of respondent are neutral, 44.4% of respondent are agree and the remaining 27.8% of respondent are strongly agree. Almost more than 72% of respondents argue that internal audit supervises (manager) reviews internal audit work. This shows internal audit supervisor of ETBC made financial and performance review i.e. evaluating the accounting and reporting the financial transactions, including commitments, authorizations and receipts

and disbursement of funds and also review made on the effectiveness, efficiency and compliance with legal requirements of the corporation.

4.4.5 Effective communication

As it was stated in the literature review part, though audit communication takes place throughout the period of fieldwork, written audit reports are issued upon completion of audits. The auditors hold an exit conference with the auditee to discuss the audit findings in the draft audit reports. Exit meetings provide an opportunity to resolve questions or concerns of the auditee on audit findings before the final audit report is released. The reports also highlight satisfactory achievements of the auditee. This helps improve the auditees' image of the auditor (Van Gansberghe, 2005) and hence, contributes positively to audit effectiveness.

Table 12 Effective Communication

No.	Description	Scales	NR	Percentage
18	Internal audit provides reports to the board of directors (audit committee)	Strongly Disagree		
		Disagree	3	16.7
		Neutral	4	22.2
		Agree	7	38.9
		Strongly Agree	4	22.2
		Total	18	100.0
19	Internal audit follow up implementation of corrective actions relating to audit findings.	Strongly Disagree		
		Disagree	3	16.7
		Neutral	5	27.8
		Agree	6	33.3
		Strongly Agree	4	22.2
		Total	18	100.0
20	Audit findings are discussed with auditees before being reported on.	Strongly Disagree		
		Disagree	1	5.6
		Neutral	2	11.1
		Agree	10	55.6
		Strongly Agree	5	27.8
		Total	18	100.0
21	The reporting level varies with the importance of internal audit findings.	Strongly Disagree		
		Disagree	4	22.2
		Neutral	4	22.2
		Agree	8	44.4
		Strongly Agree	2	11.1
		Total	18	100.0

Source: questioner results, 2021

As it is depicted in above table 12, Q N0 18 audit reports to the board of director, 16.7% of respondents are disagree, 22.2% of respondents are neutral, 38.9% of respondents are agree and 22.2% or respondent are strongly agree. This shows more than 61.1% of respondents decide that internal audit provides reports to the board of directors. This internal audit report of ETBC assure the corporate financial information is correct or not, prove management integrity and give clear picture to the board of directors of how the business of the corporation is working. For Q No. 19 follow up in implementation of corrective action, 16.7% of respondents are disagree, 27.8% of respondents are neutral, 33.3% of respondents are agree and 22.2% of respondent are strongly agree. From this data analysis and open ended question half of respondents argue that the internal audit department of ETBC not follows up an implementation of corrective actions relating to audit findings as per the expectation. This implies the corporation to be exposed to risk. Therefore, audit finding and proposed recommendations are discussed with management and subsequently management action plan are developed to explain how the agreed recommendations will be implemented.

For Q N0.20 discussion on audit finding with auditees, 5.6% of respondents are disagree, 11.1% of respondents are neutral, 55.6% of respondents are agree and 27.8% of respondent are strongly agree. Most of the respondents' replay that audit findings are discussed with auditee's before being reported on. As Van Gansberge (2005) states that exist conference with the audit has a great advantage to resolve questions or concerns of the auditee on audit findings before the final audit report is released and this improve the auditees image of the auditor and contribute positive impact on audit effectiveness of the corporation.

For Q No. 21 on variation of the reporting level with the importance of finding, 22.2% of respondent are disagree, 22.2% of respondent are neutral, 44.4% of respondents are agree and 11.1% of respondents are strongly agree. Most of the respondents' argue that the reporting level varies with the importance of internal audit finding. The audit finding of the ETBC classified in to low, medium and high level risk. Low level risk finding will be solved by the director of the audit department by communicated with the auditee, medium level present to the audit committee and if it is high level report to the board of directors.

4.5 Management support

Management support for internal audit unit is an important factor that determines the extent to which the unit can fulfill its objectives. For an effective internal audit, senior management commitment and cooperation are required. Management can show its support

for internal audit by emphasizing the need of independent and objective internal auditing in finding areas where performance quality can be improved, and by putting the recommendations into action recommendations of internal audit unit. In the case of district, municipal and metropolitan assemblies, the chief executives and other high government officials should show a high commitment in improving the quality of internal audit. (Dawuda et al., 2017)

Table 13 Management support

No.	Description	Scales	NR	Percentage
22	Management take timely corrective action based on internal audit recommendations.	Strongly Disagree	1	5.6
		Disagree	3	16.7
		Neutral	4	22.2
		Agree	6	33.3
		Strongly Agree	4	22.2
		Total	18	100.0
23	There is higher management commitment to strengthen the internal audit department.	Strongly Disagree	0	0
		Disagree	4	22.22
		Neutral	5	27.78
		Agree	8	44.44
		Strongly Agree	1	5.56
		Total	18	100
24	The response of management to the reported audit finding is too important.	Strongly Disagree	0	0.00
		Disagree	4	22.22
		Neutral	3	16.67
		Agree	6	33.33
		Strongly Agree	5	27.78
		Total	18	100
25	The response to internal audit reports by the senior management is reasonable.	Strongly Disagree	0	0.00
		Disagree	3	16.67
		Neutral	2	11.11
		Agree	9	50.00
		Strongly Agree	4	22.22
		Total	18	100
26	Management supports IA by providing training in order to improve their skill and update with the fields.	Strongly Disagree		0.00
		Disagree	5	27.78
		Neutral	6	33.33
		Agree	5	27.78
		Strongly Agree	2	11.11
		Total	18	100

Source: questioner results, 2021

4.5.1 Management response on audit finding

The response of management to the internal audit departments report is the root for upgrading their efficiency in achieving of next tasks. Based on the audit finding report of the internal audit department management shall respond to the recommendations given by the internal audit service timely corrective actions (Mihret and Yismaw, 2007).

As depicted in above table 13, Question N0. 22, 5.6% strongly disagree, 16.7% disagree, 22.2% neutral, 33.3% agree and 22.2% strongly agree. From this data analysis and open ended question half of the respondents argue that management respond is in an intermediate level or not as such satisfactory on taking timely corrective action based on the internal audit recommendation. Q No.24, 22.22% of respondent are disagree, 16.67% of respondents are neutral, 33.33% of respondents are agree and 27.78% of respondents are strongly agree, that means majority of respondents response result indicates that the management response to the reported audit finding is too important. Medwell Journals, 2017 states that management supports to the effectiveness of an internal audit is measured using the dimensions of the response to the findings and recommendation and commitment to strength the corporation. Therefore in ETBC management must support the internal audit recommendation by preparing an action plan and follow up the finding for the effectiveness of the corporation.

For Q. N0.25, 16.67% of respondents are disagree, 50% of respondents are agree and the remaining 22.22% of respondents are strongly agree. More than 72.2% of the respondents replay that the response to internal audit reports by the senior management is reasonable. This shows that senior management response of ETBC is directly to the finding and related to the recommendations, provide specific action to correct the finding and clear and concise.

4.5.2 Management commitment to strength the internal audit

Audit findings and recommendations would not serve much purpose unless management is committed to implement them. Adams (1994) used agency theory to explain that it is the interest of management to maintain a strong internal audit department implementation of audit recommendations is highly relevant to audit effectiveness (Van Gansberghe, 2005) and An organization's management is considered as a consumer obtaining internal audit services. As a result, management's commitment to implementing audit recommendations and support for internal audit strengthening is critical to audit effectiveness (Sawyer, 1995).

However, responses to above table 13 Question No.23, 22.22% disagree, 27.78% neutral, 44.44% agree and 5.56% of respondents are strongly agree. Almost half of the respondents' states that management commitment to strength the internal audit department is not satisfactory or in an intermediate level. For Q. No.26 on management support on training, 27.78% of respondents are disagree, 33.33% of respondents are neutral, 27.78% of respondents are agree and the last 11.11% of respondents are strongly agree. The result shows that above 61% of respondents' replay that management support on training of internal auditor in order to improve their skill and update with their field is not sufficient and inconsistency. In ETBC management must committed to upgrade the technique and skills in computer operations, electronic data processing, related technical training in order to carry out their work. Moreover management should put in place a conducive environment for IA to perform their duty because it has a positive impact in effectiveness.

4.6 Organizational setting

In a certain organization the roles of organizational setting significantly affects the organizations performance and it plays in the organization as head turner on achievement of its goal. The roles of organizational setting includes that the organizational profile, internal organization, organizational policies & procedures and budgetary status of the internal audit. The empirical statistics that are taken from the internal audit departments about the organizational setting of Ethiopia Trading Business Corporation has been elaborated as it shown below Table 14.

Table 14 organizational setting

No.	Description	Scales	Frequency	Percentage
27	The administration and functional line of internal audit is clearly defined.	Strongly Disagree	0	0
		Disagree	4	22.22
		Neutral	5	27.78
		Agree	7	38.89
		Strongly Agree	2	11.11
		Total	18	100
28	The internal audit division responsibility has been properly determined.	Strongly Disagree	0	0
		Disagree	2	11.1
		Neutral	4	22.2
		Agree	10	55.6
		Strongly Agree	2	11.1
		Total	18	100
29	The audit activity, duties and responsibilities of the internal audit are clearly defined.	Strongly Disagree	1	5.6
		Disagree	1	5.6
		Neutral	1	5.6

		Agree	10	55.6
		Strongly Agree	5	27.8
		Total	18	100
30	Internal audit has polices for hiring internal audit staff.	Strongly Disagree		0
		Disagree	3	16.7
		Neutral	7	38.9
		Agree	5	27.8
		Strongly Agree	3	16.7
		Total	18	100
31	Internal audit is free from intervention in performing its duties.	Strongly Disagree	1	5.6
		Disagree	3	16.7
		Neutral	4	22.2
		Agree	6	33.3
		Strongly Agree	4	22.2
		Total	18	100

32	Internal audit obtains sufficient budget to successfully carry out its duties.	Strongly Disagree	0	0
		Disagree	5	27.8
		Neutral	3	16.7
		Agree	7	38.9
		Strongly Agree	3	16.7
		Total	18	100
33	Internal audit provides reports to the board of directors.	Strongly Disagree	0	0
		Disagree	3	16.7
		Neutral	4	22.2
		Agree	6	33.3
		Strongly Agree	5	27.8
		Total	18	100
34	The working environment in which the internal audit operates is conducive to promote independence in the organization.	Strongly Disagree	1	5.6
		Disagree	2	11.1
		Neutral	4	22.2
		Agree	7	38.9
		Strongly Agree	4	22.2
		Total	18	100
35	There is a clear system that the internal auditor's performance evaluated in every quarter.	Strongly Disagree		0
		Disagree	3	16.7
		Neutral	3	16.7
		Agree	10	55.6
		Strongly Agree	2	11.1
		Total	18	100
36	Internal auditors are well active to the new/refined proclamations issued from	Strongly Disagree	1	5.6
		Disagree	4	22.2
		Neutral	6	33.3

	any government body.	Agree	4	22.2
		Strongly Agree	3	16.7
		Total	18	100
37	The organizational structure of the audit department can assure the performance and effectiveness of the audit task.	Strongly Disagree	1	5.6
		Disagree	4	22.2
		Neutral	7	38.9
		Agree	4	22.2
		Strongly Agree	2	11.1
		Total	18	100

4.6.1 Organizational profile

Every private and public organization are required to maintain their internal audit department at the strategic position to make the internal audit maintain its independence and reduce the influence of the others. The interventions of managements and other on the implementation of internal audit activity lead auditors to be negligence on their work. Promoting independency of internal auditors will raise their confidences. The department shall also have to be near to the management for consulting the management and assessing the need for good management decision.

While as it shown Table 14 above, to know the organizational profiles of the company, questions No 31 and No 34 were also asked to internal audit staffs, and from the total respondents for Q .No 31, 5.6% of respondents answer is strongly dis-Agree, 16.7% of respondent responds that they dis-Agree, 22.2% of respondents answer is neutral, 33.3% of respondents agree and the remaining 22.2% of the respondents are strongly agree on the issue that the internal auditors are free from interventions of others on the implementations of their work. As we look on the survey result that 55.6% of the respondents argue that the internal auditors are free from the interventions of others in implementing of their duties while others are not argue. Therefore ETBC maintain thus independence of the internal audit activity in order to carry out internal audit responsibility in an unbiased manner and honest professional opinion on their duty.

Additionally the respondents are asked question No. 34, about the internal audit working environment and 11.1% of respondents are strongly dis-agree, 11.1% of respondents are

dis-agree, 22.2% of respondents are neutral, 38.9% of respondents are agree and 22.2% of respondents replay strongly agree. Therefore from the above results, above half of the total respondents are argued that the working environment in which internal audit operates is conducive to promote their independency in the organization. ETBC maintain this conducive work environment which leads to job satisfaction and corporate commitment for internal auditors as per the study of Endang Pitaloke 2014.

4.6.2 Internal organization

The structure of internal audit is one of the components of organizational setting and it is a crucial for one organization to have independent functional departments in performing of the corporate ultimate goals. With best structures the internal audit function assists the corporate to launch a best performance in controlling of operational and financial activities. The administrative and functional lines of the organizations internal audit department needs to be clearly defined to accelerate the organizations work activity with a good controlling of internal audit departments. The number of staffs, effective internal audit directors and group (team) leaders has to be sufficient to conduct the audit and give reliable finding.

Table 14 in Q No.27, 22.22% of respondents are dis-agree, 27.78% of the respondents answers neutral, 38.89% of respondents are agreed and the rest 11.11% of the respondents are strongly agree. This implies that half of the respondents are argued that the administration and functional line of the internal audit is clearly defined. This has a great advantage for an internal auditor to perform their duty properly and has an impact on the overall strength and effectiveness of the activity. Also Q No.33 request on audit report, 16.7% of respondents are dis-agree, 22.2% of the respondents are neutral, 33.3% of respondents are agreed and the rest 27.8% of the respondents replay strongly agree. The majority of respondents of internal audit functionally reported to the board of directors / internal audit committee. This assures that internal auditor independence and also that internal audit is an indispensable resource and a source of information for the board of director/ internal audit committee. It is considered as eyes and ears for the board of director.

For Q.No.37 that, 5.6% of respondents are strongly disagree, 22.2% of respondents are also disagree, 38.9% of respondents are neutral, 22.2% of respondent are agree and the rest 11.1% of respondents are strongly agree. Therefore, from the survey result most of the respondents are not argue or confidential that the organizational structure of the audit department can assure the performance and effectiveness of the audit task. This shows that

there must be an improvement in the organizational structure. Manson (2000) states that downsizing has been shown to affect employee morale, individual performance, and firm financial performance in an internal audit function.

4.6.3 The organization policy and procedures

The clear and understandable policies and procedures must have to be maintained in order the internal audit to be effective. The availability of proper internal audit policies and procedures can enhance the strengths of internal auditors' performance with simplifying the jobs that has been implemented and to have responsive personnel. Meanwhile the internal audit activities shall have been clearly defined with the internal auditor's duties in implementing of it. With the exceptions of properly defined audit activities, duties and responsibilities of internal auditors in the corporation will accelerates the distractions of the corporation as well as leads to fraud. The activities that are defined by the corporation shall be with accordance to the institute of internal audit standards to follow the standardize procedures and checking criteria's. The internal auditors those having their own duties and responsibilities in the corporation shall be evaluated their performance whether they did their responsibility according to the policies and procedures.

As observe from table 14 for the questions No 28, 29, 30, 35 and 36 the respondents reflection indicates that for Q No. 28, 11.1% of respondents are reply Dis-agree, 22.2% of respondents answered neutral, 55.6% of respondents that they are agree and 11.1% of respondents are strongly agree. The majority of the respondents argue that the internal audit division responsibility has been properly determined.

For question No 29, 5.6% of the respondents strongly dis agree, 5.6% of the respondents answer dis agree, 5.6% of respondents replay neutral, 55.6% of the respondents are agree and the remaining of 27.8% of the respondents are strongly agree that. This implies more of respondents reflected internal audit activities, duties and responsibilities of internal audit are clearly defined in corporate. Therefore, as an internal auditor proper state of duties and responsibilities will create good communication, smooth operation, good work environment and finally meet goal and objective of the corporation. For Q.No30, nobody answer of the respondents strongly dis agree, 16.7% of the respondents answer dis agree, 38.9% of respondents neutral, 27.8% of the respondents agreed and the remaining of 16.7% of the respondents are strongly agree. Therefore, half of the respondents replay that there is no clear internal audit polices for hiring internal audit staff. Hiring qualified personnel is an essential part of effectively managing an internal audit function. Because of the wide

variety of alternative human capital strategies, industry differences, and varying knowledge and experience requirements, internal audit practitioners take different approaches in hiring to meet organizational needs. IAFs that hire well-qualified candidates may have an attractive organizational culture or implement superior recruiting techniques. Therefore ETBC incorporate a policy which made a better partner between internal audit and human resource for the effectiveness of the IA function.

For analyzing the audit department performance evaluation ask Q.No35, 16.7% of the respondents answer dis agree, 16.7% of respondents neutral, 55.6% of the respondents are agreed and the remaining of 11.1% of the respondents are strongly agree. This shows that most of the respondents argued the internal auditors performance evaluated in each quarter or four times in years. Quarter review of an internal audit performance used to ensure appropriate leadership, thereby increasing the value added by the internal audit activity to the corporation over time.

Finally for analyzing the organizational policy and procedures Question No 36 asked and 5.6% of the respondents strongly dis agree, 22.2% of the respondents answer dis agree, 33.3% of respondents neutral, 22.2% of the respondents agreed and the remaining of 16.7% of the respondents strongly agreed. As it understands from the survey 61.1% of respondents are argue that the internal audit are not active to the new/refined proclamations issued from any government body. As an internal auditor one of the failures is not to update the new or refined proclamations issued from the government either through letter by circular or training given to them. This has a great impact in the corporate performance also. Therefore, ETBC must give attention and create system to internal audit staff to update new proclamation and policies released from government bodies.

4.6.4 Budgetary status

In a certain organization the budgetary status shall be sufficient to make the organizational setting significantly affects the internal audit effectiveness positively or negatively. Similarly, questioners were distributed to the internal audit department and as it shown above table 14 Question No.32 confirms that 27.8% of the respondents are answered dis agree, 16.7% of respondents neutral, 38.9% of the respondents are agreed and the remaining of 16.7% of the respondents strongly agreed. From the total respondents 27.8% of the respondents dis-agree with that of the internal audit department having sufficient budgets in accomplishing of their duties. Whereas 55.6% of respondents agreed that the internal audit service have sufficient budget in conducting the audit activity. Whereas

55.6% of respondents agreed that the internal audit service have sufficient budget in conducting the audit activity. Adequate budget for an internal auditor of ETBC serve to perform their activity in proper way if it is managed in a planned manner.

4.7 Auditee attribute

The role of internal audit in completion of the internal audit activity with cooperation's of auditees can improves the effectiveness of internal audits and simplifying the auditees tasks (Yee et al, 2008). To conduct effective audit work, auditors are required to have full and unrestricted access to all activities, records and properties, and be provided with cooperation from the auditee (Mihret and Yismaw, 2007). Effectiveness of internal audit and auditee's efficiency largely depends on their both side consensus, through developing a clear communication, the information availability to auditors, on their cooperation and attitudes of auditees to the internal audit departments. To address the purpose the study develops the following 6 questionnaires.

Table 15 Auditee Attribute

NO	Description	Scales	Frequency	Percentage
38	Auditees regard internal audit as a value adding service.	Strongly Disagree	1	5.6
		Disagree	3	16.7
		Neutral	4	22.2
		Agree	5	27.8
		Strongly Agree	5	27.8
		Total	18	100
39	Audit findings are argued with auditee's before being reported to board of director.	Strongly Disagree		0
		Disagree	3	16.7
		Neutral	4	22.2
		Agree	6	33.3
		Strongly Agree	5	27.8
		Total	18	100
40	Internal audit has a clear system of communicating with the auditee.	Strongly Disagree	0	0
		Disagree	4	22.2
		Neutral	3	16.7
		Agree	8	44.4
		Strongly Agree	3	16.7
		Total	18	100
41	The auditees are highly cooperative with the internal auditor.	Strongly Disagree	0	0
		Disagree	1	5.6
		Neutral	6	33.3
		Agree	7	38.9
		Strongly Agree	4	22.2

		Total	18	100
42	The auditees have a positive attitude to the internal audit department.	Strongly Disagree	1	5.6
		Disagree	4	22.2
		Neutral	5	27.8
		Agree	5	27.8
		Strongly Agree	3	16.7
		Total	18	100
43	Internal auditors have full access to get the information they needed from Auditee.	Strongly Disagree	1	5.6
		Disagree	4	22.2
		Neutral	6	33.3
		Agree	4	22.2
		Strongly Agree	3	16.7
		Total	18	100

Sources: questionnaires' results, 2021

The implications of the above Table 15 Question No38 result indicated that from the total respondent 5.6% of respondents are strongly dis agreed, 16.7% of respondents dis agreed, 22.2 of respondents are neutral, 27.8% of respondents are agree with it and the remaining 27.8% of respondents are strongly agree. Also that 55.6% of respondents argue that the auditees regard internal audit as a value adding service. Auditees in ETBC valued an internal auditors in terms of financial value which increase revenues (through complete and accurate billing, etc.) or cost saving (through added efficiency, reduced waste, etc.) to the corporation and also time value by reducing process inefficiencies, communication gap, excessively manual tasks, etc. that have an impact in employee productivity and process workflow timing. In addition, value added in resource by scheduled audits on strategic asset and taking specific identification of risks, objectives and concerns. Moreover, add value by highlight risks (financial, operational, regulatory, safety, IT, etc.) and ensure that they have been properly considered and addressed to mitigate the potential for negative events.

Question No.39 result indicated that, 16.7% of respondents dis agreed, 22.2% of respondents are neutral, 33.3% of respondents are agree with it and the remaining 27.8% of respondents are strongly agree of the topics. The result indicates that 61.1% of the respondents argue that audit findings are debate with auditee's before being reported to board of director. Internal auditors in ETBC made an exist conference with the objective of confirming accuracy, to resolve any issues and to generate commitment. If there are any misunderstandings that have impacted the result of the audit, it is critical to identify them before the audit report is issued to the board of directors. Similarly, if management wants to discuss any part of the audit, the exit conference is a time to discuss their questions and resolve any issues they may have.

For Item No 40 are also asked 22.2% of respondents dis agreed, 16.7% of respondents are neutral to the topic and 44.4% of respondents agreed and 16.7% strongly agreed. 61.1% respondents are argue with internal audit has a clear system of communicating with the auditee in corporate while others are not argue with this issue. This type of communication of internal auditor in ETBC is vital and must improve for a successful audit and to the auditors' career paths. Smith (2005) states that advance verbal communication skill will assist internal auditors in discussing issues such as risk and internal control systems with management.

For question No 41, 1.6% of respondent is disagree, 33.3% of respondents are neutral, 38.9% of respondents are agree and 22.2% strongly agree Therefore, 61.1 % of the respondents argued with the auditees are highly cooperative with the internal auditor while others are not argue with this issue. The data shows that most of the respondent replay that there is a support of auditees to internal auditors by facilitating the required document, giving written and oral response for the unclear questions and have a positive perception for the internal auditors. However, from the open ended question some of the respondent states that the perceptions of auditees to internal auditor are as a fault finder rather than a solution finder. Thus results ineffectiveness of an internal auditor.

For Item No 42, 5.6% of respondents are strongly dis agree & 22.2% disagree, 27.8% of respondents are natural, 27.8% of respondents answered agree and 16.7% strongly agree. The result of this analysis shows that 44.5% of respondents argued with the auditee have a positive attitude to the internal audit department but the majority of the respondents not agreed on the positive attitude to the internal audit department. In addition, from the document review some of the major problem identified from the auditees are lack of positive attitude on audit department and consider them as a fault finder and not reflect as a fact finder.

The final questions are question No 43, from these 5.7% of responses are strongly dis agree and 22.2% disagree, 33.3% of respondents are neutral, 22.2% are agreed and 16.7% are strongly agree. More than 61.1 % of the respondents replay that the internal auditors don't have full access to get the information they needed from auditee as per their requirements. In addition, the document review and respond from open ended questions shows that sometimes internal auditors not get full access to get the information, on time documentation and evidence from the auditees. Moreover, lack of readiness of auditee to

take the corrections that are given by the internal auditors. This all have an impact in performance of internal auditors of ETBC.

CHAPTER FIVE

5. SUMMERY,CONCLUSIONS AND RECOMMENDATION

5.1. Introduction

This chapter presents summary of findings, conclusions and recommendations. It presents by two parts; the first part summarizes the major findings of the study focusing on the internal audit practice of Ethiopia Trading Business Corporation and the second part of the study conclusion and recommendation are provide to add value of internal audit department of the corporation.

5.2. Summary of findings

The finding incorporates that the quality of internal audit, supports of management, the organizational setting to the internal audits and the attributes of auditees in Ethiopia Trading Business Corporation.

5.2.1. Internal audit quality

The internal audit quality measured in staff expertise, scope of service, audit plan, field work and controlling and effective communication. Thus, based on the analyses of information presented above, the following findings are noted.

The internal audit staffs of the corporation have more than five year experience in the audit work and understand the corporate systems, but the main limitation observed from the analysis are lack of appropriate and continuous training which focus on auditing and financial issue. This results skill and knowledge gap in performing their duty, not have enough knowledge to the new International Financial Reporting System (IFRS), delay in audit reports due to application of manual source, lack of application of software which facilitate their duties and lack of team work experience.

In addition, there is turn over which has severe consequences on loss of valuable knowledge and experiences. Also there is lack of adequate manpower in considering the work volume or transaction of the corporation which create a problem in efficiency and effectiveness of the audit department. Moreover, there is no certified auditor and the corporation supports them to upgrade their competencies to enable them to provide the expected high quality service.

On the other hand, the scope of internal audit function is restricted to financial and performance audit. Whereas the missions given to the internal audit is wider than the scope which includes compliance audit, contractual audit, fraud audit and information system audit. Even if with this scope of work, most of the respondents replay that they try to complete the intended plan with limitation of efficiency and effectiveness and also not perform document review as per the plan. This practice would minimize audit effectiveness by undermining the office's ability to prepare well thought annual plans, assist management in managing risk and determine its projected resource requirements in due time. Risk assessment is done as part of audit planning and more emphasis is given to management input during audit planning. Most of the audit engagements are not completed in the budgeted time and more supervision field work and reviews internal audit work performed but scarcity of logistic for field work is one of the major limitation of the internal audit department.

The audit reports are addressed to the higher official who has the power to execute the findings. Audit findings are discussed with auditee before being reported but they did not presented in a consistent way. Furthermore the respondent states that there is lack of proper mechanism to follow up implementation of audit recommendations. However, almost all of

the respondents argued that the internal audit departments report communicated with managements.

5.2.2. Management support

As shown on the analysis part this study, the report of the auditor investigation and finding is provide to the board of director and also to the management. However, half of the respondents argue that management not take corrective action on time based on internal audit recommendation and less accountability is observed by board of directors also. In general the results show that there is management support while that is not satisfactory to strength internal audit function and also there is inconsistency commitment of management.

5.2.3. Organizational setting

The functions of organizational setting to internal audit includes that the organizational profile, internal organization, organizational policies & procedures and budgetary status of the internal audit. Thus based on the analysis of information presented in chapter four, the following findings are noted. Even if the result indicates the greatest in number of respondents argued that the internal auditors are free from interventions of others, the working environment in which the internal audit operates is conducive to promote independence in the organization. In internal organization of internal audit, the majority of respondents are internal audit provides reports to the board of directors, some of respondent the administration and functional line of internal audit is not clearly defined and the organizational structure of the audit department cannot assure the performance and effectiveness of the audit task.

Most of the respondents state that ETBC internal audit department has an internal audit policies, procedures and manuals which are properly and unambiguously defined. Though, the majority of respondents from questionnaires agree internal audit division responsibility has been properly determined audit activity, duties and responsibilities of the internal audit but there is some limitation in policies and procedure of hiring internal auditors. In addition, there is a drawback in updating or give training in new or refined proclamations issued from any government body. Moreover, both the questioners and document review notes that there is insufficient budget allocated for the audit department.

5.2.4. Auditee attribute

The survey shows half of the respondents' state that auditees are not confidentially considered an internal audit as value adding service unit. However, internal audit finding were discussed with auditees before it has being reported to make corrective action for the board of director. Internal audit has also communicating with auditees in a clear and properly defined ways. Sometime internal auditors are not get full information they needed from auditee. In addition in taking of the corrective action based on the internal audit finding reports, the auditees are not active in readiness of taking the next task. As shown on the analysis part auditees have lack positive attitude towards internal audit department and not access on time source documents and think them as fault finder not fact finder.

5.3. Conclusion and Recommendations

The study attempts to analysis the internal audit practices case of Ethiopian Trading and Business Corporation. According to the results showed in previous chapter the following conclusions and recommendation is being addressed.

5.3.1. Conclusions

The existences of effective internal audit in the corporation associates with internal controls of the system improve the corporate efficiency and their departments' effectiveness, minimizing information irregularity during the management decision making, controlling the project implementation program and ensuring the reliability of financial reporting process. As the literature review shown in chapter two Mihret and Yismaw (2007) attempted to introduce a new approach for the evaluation of the internal audit effectiveness by identifying factors within an organization that has an impact on audit effectiveness. As a

result, they identified four potential factors – internal audit quality, management support, organizational setting, and auditee attributes to describe audit effectiveness, and revealed the way the interaction of these factors improves audit effectiveness.

By taking this in to consideration, the study identifies the practices of internal audit departments in Ethiopian Trading Business Corporation and analyzed the practices which IA shall carry out to enhance the internal audit effectiveness. To achieve the objective of the study distributing questioners to internal auditors regarding internal audit practice. The study also use document reviews as a source document of secondary data. The response obtaining from survey of internal audit department staffs is tabulated using descriptive statistics and interpreted by using the frequency tables and qualitative approach method while result from documentary reviews is present to support the survey result.

Therefore, responses from the internal audit staffs and document review the following conclusion are accessed. Internal audit department has its own policies, procedures and manuals which clearly isolated from any other departments in doing of their own tasks. Under the internal audit department of the corporation there are two main sections which are performance and financial audit. It is accountable for board of director which assures their independence and free from intervention of others.

The proficiency of internal audit in terms of educational background, qualification and experience of the IA staff revealed that the internal audit staff has a minimum of BA degree holder which is good in educational background. But there is no professional certification such as certified in internal audit and only two staffs have economics and management skill beyond accounting and finance. Beside the audit department apply a manual system to perform it duties. Thus implies the scope of the internal audit function did not yet go far to cover scope of internal audit and much time is devoted in evaluating the adequacy and effectiveness of control. Similarly, due to lack of up to date appropriate and continuous training, knowledge gap seen in performing their duty.

In addition, there is also turnover seen in the department which loss of valuable knowledge and experiences in the corporate level. Moreover, most of the audit engagements are not completed in the budgeted time and more supervision field work and reviews internal audit work performed but scarcity of logistic for field work is one of the major limitation of the

internal audit department. Annual audit plan is prepared by the IAD and risk assessment is one of the major parts included in planning.

Considering the management support the result shows that it is not satisfactory or as per expectation to strengthen internal audit function and also seen inconsistency in commitment in management. In addition, both the questionnaires and document review notes that there is insufficient budget allocated for the department. Besides the auditee attribute there is a clear and proper way of communication system. However, there is a lack of positive attitude of auditees towards internal auditors and not access source documents on time and think them as a fault finder not fact finder.

5.3.2. Recommendations

The overall objective of this study is to assess internal audit practice in the case of Ethiopian Trading and Business Corporation. According to the research objective and based on the data analysis, the following recommendations are given

- The IAD has limitations in development of skilled, certified and professional auditors. In this regard the IAD convince the management and the BOD of the corporation and give a chance for auditors to have CIA or other internal audit related certification so that their contribution to adding value in different sectors would be increased.

- The IAD give attention and plan to change the existing manual audit activity system to networked data transaction system that makes simple and enhance the quality of IA and ultimately adding value to corporate performance.
- IAD and the management as a whole try to decrease turnover of employees by identifying the root cause. Basically in job satisfaction, the benefits and payment may not interest, there is no room for growth, lack of communication, no flexible work schedule and so on.
- Considering the high transaction of the four branches of ETBC there is a dalliance in performing audit activities in each branches of the corporation. Therefore, recommendation given to establish an audit office in each branch and link with computerized software system which facilitate performance and controlling of each activity on time.
- Short term training must be arranged for both auditee and audit department which improve the control environment of the corporation and create attitude change. As a result improve effectiveness and efficiency of the corporation.

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APPENDIX I

St. Mary University

School of Post graduate studies

Department of Accounting and Finance

Questionnaire to be filled by Ethiopian Trading Business Corporation.

Dear Respondent:

The enclosed questionnaire is designed to gather information about the “**Assessment of internal audit practice case of Ethiopian Trading Business Corporation**”. The questionnaire has been sent to all internal audit department employees and audit managers. The information you provide in response to the questionnaire will be used as part of the data needed for the study.

The study is being conducted as part of the undersigned researcher’s study for the Master of Science in Accounting and Finance at St. Mary University School of graduate, Department of accounting & finance.

The result of the study is expected to contribute to the understanding of internal audit practice and as well add value of internal audit practice in Corporation.

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

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

Your honest and thoughtful responses are highly appreciated.

Kind Regards,

Part I: General Information:

Please indicate the following by ticking (√) on the given spaces of the response options:

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1. Gender: Male Female
2. Age: Under 25 25-30 31-35
 36-40 41-45 above 45

3. Educational Level: College diploma University bachelor degree
 Master's Degree or above Other (Specify) -----

4. What is your qualification?

Accounting Marketing Management
Other (Specify) -----

5. Please indicate your current position: _____

6. Year of service in ETBC:
Below 2 years 2-5 year 5-10 year
11-15 years above 15 years

7. Total year of work experience in another company audit department.

0-5years 5 – 10years >10 years

Remark: The following questions are presented on a five point Likert scale types.

Use 5-scale ratings whereby;
1. Strongly Disagree 2. Disagree 3. Neutral 4. Agree 5. Strongly Agree

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

PART II

A. quality of internal audit in corporation

No.	Description	5	4	3	2	1
	Staff expertise					
1	Internal auditors possess sufficient experience to understand the organization systems.					
2	Adequate short term training is arranged for internal auditors in each year.					
3	There is staff turn over					
4	There is a trend of using soft-ware to facilitate internal audit activity.					
5	Internal auditors have sufficient knowledge to know the systems of organization.					
6	Internal auditors have large enough knowledge to the new financial reporting system (IFRS).					
7	There is adequate manpower to perform the duty of the audit department					
	Scope of internal audit work					
8	Internal audit office verifies accuracy amounts in financial records.					
9	Internal audit office evaluating the internal control system and making recommendation for improvement.					
10	Internal audit office checking efficiency of operating results (e.g whether cost saving alternative areas are used)					

No.	Description	5	4	3	2	1
11	Internal audit office providing consulting services to management where internal audit has the expertise.					
	Audit planning					
12	Annual internal audit plan is prepared.					
13	Internal audit completes its tasks as intended plan					
14	Risk assessment is done as part of audit planning.					
15	Senior management in put is considered in setting internal audit priorities.					
	Fields work and controlling					
16	An internal audit supervisor (manager) supervises field work.					
17	An internal audit supervisor (manager) reviews internal audit work.					
	Effective Communication					
18	Internal audit provides reports to the board of directors (audit committee)					
19	Internal audit follow up implementation of corrective actions relating to audit findings.					
20	Audit findings are discussed with auditees before being reported on.					
21	The reporting level varies with the importance of internal audit findings.					

B. Management support

Description	5	4	3	2	1

	Description	5	4	3	2	1
22	Management take timely corrective action based on internal audit recommendations.					
23	There is higher management commitment to strengthen the internal audit department.					
24	The response of management to the reported audit finding is too important.					
25	The response to internal audit reports by the senior management is reasonable.					
26	Management supports IA by providing training in order to improve their skill and update with the fields.					

C. Organizational Setting

	Description	5	4	3	2	1
27	The administration and functional line of internal audit is clearly defined.					
28	The internal audit division responsibility has been properly determined.					
29	The audit activity, duties and responsibilities of the internal audit are clearly defined.					
30	Internal audit has polices for hiring internal audit staff.					
31	Internal audit is free from intervention in performing its duties.					
32	Internal audit obtains sufficient budget to successfully carry out its duties.					
33	Internal audit provides reports to the board of directors.					
34	The working environment in which the internal audit operates is conducive to promote independence in the					

	Description	5	4	3	2	1
27	The administration and functional line of internal audit is clearly defined.					
28	The internal audit division responsibility has been properly determined.					
	organization.					
35	There is a clear system that the internal auditor's performance evaluated in every quarter.					
36	Internal auditors are well active to the new/refined proclamations issued from any government body.					
37	The organizational structure of the audit department can assure the performance and effectiveness of the audit task.					

D. Auditee attribute

No.	Description	5	4	3	2	1
38	Auditees regard internal audit as a value adding service.					
39	Audit findings are argued with auditee's before being reported to board of director.					
40	Internal audit has a clear system of communicating with the auditee.					
41	The auditees are highly cooperative with the internal auditor.					
42	The auditees have a positive attitude to the internal audit department.					
43	Internal auditors have full access to get the information they needed from Auditee.					

❖ The major challenges (problems) that affect the internal audit practice in your corporation

What are the major challenges (problems) that affect internal audit practice in your corporation? These challenges can be from the factors mentioned above or new and not mentioned. It would be preferable if you list them in their order of seriousness (from most serious to less serious)

❖ Please write if you have any suggestion or comment about the internal audit practice of your corporation.

Thank you Very much!