



**ASSESSMENT OF INTERNAL AUDIT PRACTICE IN CASE OF  
COMMERCIAL NOMINEES P.L.C.**

**A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY  
SCHOOL OF GRADUATE STUDIES IN PARTIAL  
FULFILLMENT OF THE REQUIREMENT FOR THE DEGREE  
OF MASTERS OF ARTS IN ACCOUNTING AND FINANCE**

**PREPARED BY: HIWOT ABRHAM DESTA**

**ADVISOR: ASMAMAW GETIE (ASS.PROF)**

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**ADDIS ABABA, ETHIOPIA**

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# CERTIFICATE OF APPROVAL

**St. MARY'S UNIVERSITY SCHOOL OF GRADUATE STUDIES**

**ASSESSMENT OF INTERNAL AUDIT PRACTICE IN CASE OF  
COMMERCIAL NOMINEES' PLC**

**BY HIWOT ABRHAM**

**APPROVED BY BOARD OF EXAMINER**

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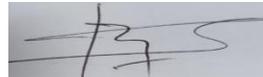
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## Acronyms

CN –	Commercial Nominees
PLC –	Private Limited Company
IAE –	Internal Audit Effectiveness
IAF –	Internal Audit Factors
CIA –	Certified Internal Auditor
IA –	Internal Auditor
IPPF –	International Professional Practice Framework
QAIP –	Quality Assurance and Improvements Program
IIA –	Institute of Internal Auditors

## **ABSTRACT**

This study conducted to assess internal auditing practice in Commercial Nominees plc in Head Office. Internal auditing helps and association negotiate its objects by bringing a methodical discipline to estimate and ameliorate the edge of threat operation control and governance process. The study field to assess the factors, strength and weakness with regard to internal inspection in Commercial Nominees plc of Head Office. The data applicable to the study was collected from primary and secondary source of data. Primary data collected through questionnaires and secondary sources from journals written document and reports. Grounded on the conclusion and the chancing the internal auditing practice of Commercial Nominees plc in Head Office fairly better and follow the theoretical aspects of internal inspection practice. Again, the exploration set up out that the factors affecting internal auditing practice of Commercial Nominees plc in Head Office were rules and regulations of the Company, the auditors independent less, lake of faculty of auditors. The major debit of Commercial Nominees plc in Head services deficit of professed force (competent auditor) and also independent lower of the auditor. Based on the conclusion and finding internal audit practice of Commercial Nominees plc head office relatively better and follow the theoretical aspects of internal audit practice.

**Keywords:** Internal Audit, Internal Audit Function, Efficiency, Organizational Independency and management support.

# CHAPTER ONE

## 1. INTRODUCTION

### 1.1. BACKGROUND OF THE STUDY

The establishment, growth and evaluation of the contemporary of internal auditing profession is nearly canvassed with the history of institute of internal auditors, an association funded in the United States in 1941. The demand for both internal and external auditing is sourced in the need to have some means of independent verification to reduce record keeping crimes, asset miss appropriation and fraud with business and non-business association. (Sridhar Ramamort, 1981).

It's given that the part of internal inspection is to serve elderly operation and to add value to ameliorate or strengthen the association as a whole. Internal inspection assists operation in discharging its responsibility by furnishing analysis appraisals and recommendations concerning the conditioning reviewed. Internal inspection also provides operation with information on threat exposure and on the acceptability and effectiveness of the association system of internal control. (Would iam, 2005).

Internal auditing where an independent, objective assurance and consulting exertion designed to add value and ameliorate an association's operation. It helps an association to negotiate its ideal by bringing a methodical, declined approach to estimate and ameliorate the effectiveness of threat operation, control and governance processes. Internal inspection is a catalyst for perfecting an association's governance. Internal inspection within an association is broad and may involve motifs similar as association governance, threat operation controls, effectiveness and effectiveness or effectiveness of operations or including safe guarding of means or the trust ability of fiscal and operation reporting and compliance with law and regulations (Flesher D.L, 1996).

The part of internal auditing is effectiveness and effectiveness of operations trust ability of fiscal and operation reporting, compliance with law and regulation and safe guarding of means. Internal auditor should be independent of the conditioning they review similar as independence should be permit internal auditors to perform their work freely and objectively. (Frazil, Hernon & Janatani, 2008). Internal control is accomplished people at every position of association, including board of

director, operation and workers. As a result, the effectiveness of internal control can be lowered by essential limitation of the people. (David N. Richiut, 2006).

The internal auditor examines, evaluates and reports on the acceptability of internal control as a donation to the profitable, effective and effective use of resource, the job is to estimate the exertion of others not to perform as specific part of data processing and produce timely accurate and complete report to director on regular base (HH. Millichmg. 1996).

The internal auditing norms are the criteria by which operation of an internal inspection department or function are estimated or measured. To represent the practice of internal inspection as it should be set of standards have been issued; trait performance and perpetration of norms. The trait standard addresses the trait of the association and individualities performing internal inspection services. The performance standard describes the nature of internal survey service and provides quality standard against which the performance of these can be measured. The perpetration norms expand up on the trait and performance norms, furnishing guidance applicable in particular type of engagements. The trait and performance norms apply to all internal inspection service, but the perpetration norms eventually deal with assiduity specific, indigenou types of inspection service. (Flesher D.L. 1996).

Proper internal auditing practice is a base for conserving the stability of any company. The study faces on describing and assaying the important control directions that are related to internal auditing practice, in regard to see the being and connection of attributes and the norms in Commercial Nominees plc performance to increase the quality of inspection work. Raising mindfulness of the part and significance of internal auditing to the achievement of specific objects in reasonable assurance, responsibility, effectiveness and effectiveness of operations, trust ability of fiscal reporting in compliance with applicable laws and regulations (Sawyer, counsel B, 1989, p. 21).

## **1.2. BACKGROUND OF THE ORGANIZATION**

Commercial Nominees PLC was established by Commercial Bank of Ethiopia and Construction and Business Bank in 1965. As that time, It provided services such as stock marketing, Stock registration and organization, Pension account management of commercial bank, and insurance commission work. It started operating independently as a PLC as of July 12, 1993 and since then, it has been providing quality services in the out sourced services and asset management industry. Currently our Company delivers quality services to satisfy its customers using its 31 existing branches and 484 regular employees and by using more than 45,000 motivated outsourced employees with reasonable service charge, CN provides services such as out sourced employment service, Building and other property administration, Buying and selling buildings, Agent banking, Share dealing, Fund administration, Salary payment, Money transfer, Event organization, Company business management. Commercial Nominees current capital is more than 2.4 billion birr. Collection of varieties of bills and revenues and undertaking other Outsourced Business Services on behalf of our customers.

### **Vision**

To be reliable solution provider in out sourced service management by 2025.

### **Mission**

We are committed to provide innovative, diversified and competent out sourced service, Asset management and other integrated business with knowledgeable, Experienced and motivated workforce, to enhance value to our all-stake holder, Observant to environment Protection and social responsibility.

## **1.3. STATEMENT OF THE PROBLEM**

Internal auditing examines internal control systems in which its function by measuring and evaluating effectiveness and responsibility to report on truth and fairness of account of the company. Internal auditing is independent, objective assurance and consulting activities designed to improve an organization operation. It also improves effectiveness of risk management control governance process. (Reeve: 1986)

The absence of proper internal auditing in the organization leads to many problems. The absence of primary internal auditing in the organization results in the lack of continuous assurance service, such as lack of expertise, lack of opportunity for professional development, repetitive routine, accounting and per control of expenditure with the internal auditors, conflicts of interest, inability to insist on getting significant information, lack of independence, wrong perception of the audit function, weak organization governance, inefficient and ineffective internal audit work. (AZ Zone, 2009).

The other problem is that inadequate internal control can expose the company to various identifiable risks, such as waste of company available resource, fraud by employees and lack of control over assets.

The unique aspects of this research are providing a detailed examination of internal audit practice specifically within commercial Nominees PLC, addressing both common and unique challenges faced by the specific issue such as lack of continuous assurance services, expertise gap, and governance inefficiencies. By focusing on the detailed problems, the research aims to provide in-depth insight and practical recommendation for enhancing internal audit organizational governance.

Additionally, the research employs a targeted approach with clear objectives and research questions that directly address core aspect of internal audit practice, such as the application of audit, principles, audit quality and the effectiveness of internal controls. This focused approach ensures that the findings are precise and actionable, offering valuable contributions to both academic literature and practical application in internal auditing and governance.

This research provides a comprehensive analysis that might not be extensively covered in other studies. The focus on specific organizational risk like waste of resources and employee fraud provides a targeted approach to understanding and mitigating these risks through better internal controls. This research distinguishes itself from others by offering a detailed comprehensive and nuanced examination of internal auditing's critical role in organizational effectiveness and governance.

### **1.3. OBJECTIVES OF THE STUDY**

#### **1.3.1. GENERAL OBJECTIVE**

The general objective of the study will to identify if there are the potential problems the company face related to internal audit practice in case of Commercial Nominees PLC.

#### **1.3.2. SPECIFIC OBJECTIVE**

The specific objectives of this study are:

- I. To assess whether the principle of internal audit practice is applied
- II. To assess the internal audit working quality in terms of independence activities.
- III. To assess the effectiveness of the internal control system under the safeguarding asset in Commercial Nominees PLC Head Office private limited company.

### **1.4. RESEARCH QUESTIONS**

Depending on the above problem, the researcher will raise the following research questions.

1. Does the principle of internal auditing apply in practice?
2. What is the extent of the quality of internal audit work in terms of independence?
3. Does the internal control system under the safeguarding of asset effective?

### **1.5. SIGNIFICANCE OF THE STUDY**

Hence this study tries to insight for how is its effectiveness and minimizes problems related to internal audit practice in addition the study tries to get some result on: -

- I. It will enable the department manager to be aware of the importance and use of internal audit in achieving intended objectives.
- II. It will help the researcher to practice a larger similar study that will be performed in other organization sector.
- III. It will use as an additional reference to the existing restructure and will be used as a spring board for other researchers who conduct research in the same area.

## **1.6. SCOPE OF THE STUDY**

The studies are emphasis on how internal auditing principles are applicable in practices and the quality and applicability of the internal auditing in Commercial Nominees PLC. The degree of independence of the internal auditor based on the performance of internal auditing designed to ensure the compliance of polices, procedure and shall determine whether the company compliance with rule, review whether the company's assets are used appropriately.

## **1.7. LIMITATION OF THE STUDY**

Conceptually this research concentrates on the challenges of internal audit practice the finding of the research is more success full if it is conducted widely by including other branches (similar companies) but due to labor and time constraint it will out of reach of the research to include those companies which involves in CN PLC. Therefore, the study is delimited to treat the problem in CN PLC only this will be the main limitation of the study.

## **1.8. ORGANIZATION OF STUDY**

This study has five chapters. Chapter one deals with the introduction part which contains, the background of the study, statement of problem, objective of the study, significance of the study, scope of the study and limitation of the study. Chapter two summarizes review of literature. Chapter three deals with data source and methodology. Chapter four deals with finding and discussion Chapter five will be finalized with summery conclusion and recommendation.

## **CHAPTER TWO**

### **2. REVIEW OF RELATED LITERATURE**

#### **2.1 INTRODUCTION**

The review of pertinent literature on internal audit procedures and other major aspects of this topic area are the main objectives of this chapter. Areas similar as description of affiliated generalities, crucial features of effective internal audit function, functional part of internal audit, development of internal audit, duties and liabilities of internal auditors, significance of internal auditing and the suchlike are covered the review covers existing literature on internal auditing, including its impact on strong commercial governance. It concludes with a summary of the review and a screening of any gaps in the body of knowledge. The chapter therefore presents the abstract and theoretical base for the study.

#### **2.2 THEORETICAL LITERATURE REVIEW**

##### **2.2.1 Definition of Auditing**

Auditing is the process by which a competent independent person accumulates and evaluates evidence about fiscal information related to specific profitable reality for the purpose of determining and reporting on the degree of correspondence between the financial information and established criteria. (Kamal. 2000).

Many schools and professional institutions in the field define auditing in different manner. According to Would Baim and Walter perspective on modern auditing book, auditing is an exercise whose objective is to enable auditor to express and forward opinion about the fairness of the financial statement. In addition, auditing is the accumulation and evaluation of evidence about the quality of an economic entity to determine and regard the degree of correspondence between the information and establish standard decisions (Daivd N. Ricchiute, 2003).

Financial statement is based on an examination of the statement regarding the quality, fairness, and reliability compared to the established criteria. After verified by the independent auditor, it is presented in the form of written regard (Basu, s.k 2006, p. 767-769).

### **2.2.2 The Development of Internal Audit in Ethiopia**

The history of auditing in Ethiopia goes back to the early 1931 with the establishment of Ethiopian's Supreme Audit Institution (SAI). The inspection commission was established through proclamation 64 of 1944.

An Internal Auditing function has been for quite a long time in Ethiopia. The internal Auditing function started in the popular public sector as part of internal control. still, the ultimate part of the 1940s witnessed the establishment of internal inspection functions in the Ministry of public Defense, Ministry of Education, and Ministry of Finance. It was also at this time that the Internal Auditing Units began to sow inn on-budgetary public sector (public enterprise) like Ethiopian Highway Authority, Ethiopian Airlines, Ethiopian Telecommunication, and Financial Sector that formed the ultramodern subcaste of the National Economy. (W/ Giorgis; 1998) An Internal Auditing function has been for quite a long time in Ethiopia. maybe the most direct impact on the current status of internal auditing in Ethiopia came from another important document issued in 1987.

ProclamationNo.13/1987 not only reemphasized the significance of the internal inspection function in government departments and public enterprises; it also empowered the Office of Auditor General in three aspects of whether account records are duly maintained and dependable, whether the means of the ministries and enterprises are adequately shielded and duly maintained. On July 1, 1997 the Financial Administration RegulationsNo.17/1997 was issued in which the responsibility of internal inspection function was transferred from the Office of the Auditor General to the Minister of Finance to develop and maintain applicable norms of work.

In numerous 2007 policy directive was issued to further strengthen the Internal inspection service function in the public bodies, still, the legal base laid down by both in the Regulations of Council of Ministers and the Ministry of finance Directive is applicable only to internal auditing under the aegis of Public bodies and doesn't apply to public enterprises and the private sector, but lately public Enterprises Supervising Authority has issued policy directive for establishment of inspection panels in all public enterprise and an inspection primer to maintain uniformity of inspection work- in all public enterprises.( Mulugeta S, 2008).

### **2.2.3. Internal Auditing Function**

An important aspect of the organization's monitoring system is the internal audit function. Internal auditors investigate and assess internal control and the efficiency with which the various units of the organization are accomplish their assigned function and report their finding and recommendation to top management, the internal auditors are interested in determining whether each department or branch has a clear understanding of its assignment, is adequately staffed, maintains good records, properly safeguards cash, inventories, and after assets and cooperates, harmoniously with other department. In addition, many internal audit departments perform in internal consulting activities within their organization (O.R Whittington, 2004).

Internal audit function should have organizational independence, and that grant the right to carry out all activity necessary to accomplish the following objective:

- I. It involved to meeting the needs of business and governmental and nonprofit organization.
- II. Evaluating the performance of various function units within the organization especially in terms of operating efficiency and the implementation of control designed to achieve optimum result.
- III. Verification of the reliability and integrity of the operation and financial information on which management and others must rely on performing their responsibility.
- IV. Assertion compliance with the organizations operating police and procedure and with various controls that have been instituted.

### **2.2.4 Internal Audit Can Be Described as Follows**

An appraisal function: the internal auditor's job is to appraise the activity of the others, not to perform a specific part of data processing.

As a service to the organization: the management requires that the auditors ensure the following.

1. That its policies are fulfilled
2. That the information it requires to manage effectively is reliable and complete;
3. This information is not only provided by the accounting system.
4. That the organization's assets are safeguarded.
5. That the internal control system is well designed.
6. That the internal control system works in practice.

**Other duties: Other duties may include the following matter**

- I. Being concerned with the performance of social responsibility policies adopted by top management.
- II. Being concerned with the response of internal control system to errors and required changes to prevent errors.
- III. Being concerned with the response internal control system to external stimuli. The internal control system must constantly upgrade itself to deal with change.
- IV. Auditing the information given to management particularly interims accounts and management accounting reports.

**2.2.5 Essential Elements of Internal Audit**

The essential elements of internal audit are following: -

**Independence:** internal audit is carried out by decent personnel. Internal auditors are employees of the firm and thus independence is not always simple to achieve.

**Staffing:** the internal audit unit should be adequately staffed in terms of numbers, grades and experience.

**Relationships:** internal auditors should foster constructive working relationship and mutual understanding with management. With external auditors, with any review agencies (management consultant) and where appropriate with an audit committee mutual understanding, is the goal.

**Due care:** an internal auditor should behave much as an external auditor in terms of skill, core and judgment. He should be technically up to data and have personal standards of knowledge, honesty and integrity much as external auditor. It is desirable that an internal auditor be qualified as much because of a professional body.

**Specific audit planning:** On the basis of the objectives of the organization and the objective the internal audit of the organization, the internal auditors should prepare the audit programmed in order to cover the specified tasks assigned by the management specifically the stages of internal audit planning are: -

- a) Identify the objective of the organization, may have a mission statement.
- b) Define the internal audit objective.

- c) Take account of relevant changes in legislation and other external factors (e.g. new legislation).
- d) Obtain comprehensive understanding of the organizations.
- e) Identify, evaluate and rank risk to which the company is exposed.

**System control:** The internal auditor must verify the operations of the system in much the same way as an external auditor, by investigation, recording, identification of controls and compliance testing of the controls.

However, the internal audit is also concerned with:

- I. The organizations business being conducted in an orderly efficient manner.
- II. Adherence to management policies and directives
- III. Promoting the economic, efficient and effective use of resource in achieving the management policies.
- IV. Securing as much as possible the completeness and accuracy of the record.
- V. Safeguarding the assets.

**Evidence:** The internal auditor must have similar quality for evidence as an external auditor. He evaluates audit evidence in terms of sufficiency, relevance and reliability.

**Reporting:** The internal auditor must produce timely, accurate and comprehensive report.

**Reports to management on a regular basis.** These should report on the matters outline in the above and give recommendation for change (A. H Mill Champ, and S.K. Basu, 1996).

### 2.2.6 Quality of Internal Audit Work

**Independence:** internal auditor should be independent of the activity when they carry out their work freely and objectively. Independence permits internal auditor to render the logical and unbiased judgment essential to properly conduct the audit and achieve organizational status.

**Objectivity:** is an independent mental attitude which enables internal auditors not to subordinate their judgment on audit matters so that they have all honest belief in their work product and that no significant and quality compromises are made.

**Compliance:** With the standard of conduct and police internal audit or should company with professional standard of conduct, the code of ethics of the institute of internal auditor set for the

standard of conduct. The code calls high standard, honesty, objectivity and loyalty to which internal auditor should confirm.

## **2.2.7 Relationship Between Independent and Internal Auditor**

### **2.2.7.1 The difference between independent audit and internal audit**

On accounting matters', the internal and independent auditors operate mainly in the same field and they have a common interest ascertaining that there is an effective system of internal control to prevent, detect errors and frauds and to ensure that it is operating satisfactorily and that an adequate accounting system exists to provide the information necessary for preparing true and fair financial statements. There are some, fundamental differences between the work and an independent and internal auditor regarding the following:

**Application:** the internal auditor is appointed by the management, generally the directors and is responsible to term the independent auditors are appointed according to the concerned status.

**Scope:** the extent of the work undertaken by the internal auditor is determined by the management. The area of the work to be undertaken by the independent auditor arises from the responsibilities placed on him by the governing status.

**Approach:** the internal auditor approach is with a view to ensure that the accounting system is efficient. So that the accounting information presented to management throughout the period is accurate and discloses material fact. The independent auditor approach, is governed by his duty to satisfy himself that the account to be presented to the shareholder show a fair and true view of the profit or loss for financial period.

**Responsibility:** The internal auditor's responsibility is to the management. It follows that the internal auditor being a servant and the company does not have independence of status. The independent auditors are responsible directly to the shareholders.

**Objectivity:** - The objective of internal audit is to ensure that the laudanum police procedures on other internal control functions are functioning as designed, whereas the objective of the independent auditors is to express opinion on financial statement, whether those statement are showing fair and true view.

**Independence:** Independent auditor is more independent than internal auditor.

### **2.2.7.2 Possible Area of Cooperation and coordination**

Although it is not possible to lay down any hard and fast rules as to the exact area of cooperation between independent auditor and internal auditor, the following general considerations may be pointed out.

The finalization of the auditor program could be done through mutual consultation. The audit of the day to proceeding and routine work could be carried out by the internal auditors according to the audit program after an examination and review of the working paper, reports, etc. of the internal auditor, if the independent auditor is satisfied as to the accuracy of the work carried out, unnecessary duplication of the work could be avoided.

Testing of a small volume of repetitive transaction could be allocated to internal auditors.

A digest of all matters decided arranged the year or pending in courts of law or other authorities at the year end could be made by the internal auditors so that the extent of contingent liability could be verified and suitable provisions made in this respect. They will be helpful in expanding the finalizations of the independent auditor work.

### **2.2.8 Assessment of The Internal Audit Department**

The extent to which reliance is possible will depend up on the organization, its qualification and effectiveness of the internal audit department from the external point of view, as distinct from management, the ideal situation will exist where:

1. The internal audit manager is independently the chief financial executive, is free of any other operating responsibility and report to the chairman of the board or chief executive officer.
2. The internal audit team has acceptable ratio classified to unqualified staff headed by a professionally, trained and experienced auditor.
3. The section of internal audit program which one relevant to the external auditor are comparable to those that would have been used by the external auditor are comparable to those who have been used by the external auditor. Particularly with regard to the scope and the level of tastes.

4. Work done is evidence by will prepare work paper, as appropriate, dated and initiated, detailed item select for test and the conclusion reached form the test. The point discussed above will assist the extent to which internal auditor.

### **2.2.9 Responsibility of Internal Auditing Auditor**

The primary responsibility of internal auditor includes the following reviewing operational procedure to ascertain whether result is constant with established objective and goals and weather the procedure is about as planned, recommending that the overall system of internal control and the control in each activity under audit are adequate, effective, efficient and functioning.

- I. Defending the reliability and adequacy of the accounting, financial and reporting system and procedure.
- II. Ensuring that organization activity conform to generally accepted principle, organization police and proceeded state and federal laws and regulation, contractual and good business practice.
- III. Ascertain the extended to which organization asset, are proper accounted for and are safeguarded from loss of all kinds.

### **2.2.10 Duties of The Chief of Internal Auditor**

Auditor will normally have received early training in the office of practicing accountant or the accounting department of commercial company and will make the best decisions. If he/she should also have industrial experience in an executive capacity such experience will enable his /her to relief the problem that arise when change a system are to be introduced all will cause to the condition to the accounting point. Moreover, if major changes ether an organization or accounting system is recurred recommendation, can be adapted chief of internal auditor should always remember that it has been said that an organization is lengthened shadow of one man of the top, because of the tremendous opportunity.

In practice, internal auditors perform a number of different and varied activities, such as appraising and recommending improvement for them.

- a) Adequacy, application and operation controls.
- b) Extent of compliance with established policies, plans, and procedures.
- c) Prevention of loss and fraud.

- d) Reliability of information reported by management.
- e) Performance of employees and management.

### **2.2.11 Basic Principles to Establish Internal Auditing an A Business Concern**

The following are the basic principles required to be considered before establishing internal auditing in business concern.

**Independent status:** The internal audit department should have an independent status in the organization the internal auditor must have adequately high status in the organization. He may be required to report directly to the board of directors.

**Scope of audit:** the scope of internal audit department specified in a comprehensive manner to the extent practicable in it. In fact, the department must have the authority to investigate from a financial angle clearly the organizational activity.

**Clear Objective:** -It must have an unambiguous and clear understanding of the objectives on each assignment given to it from time to time.

**Formation of the department:** The management should take care in selecting the staff of the internal audit department. The size and qualification of the staff of the internal audit department should match and satisfy the size of the business organization.

**Time bound:** program of the internal auditor should be time bounded with the provision for periodic report.

### **2.2.12 Critical Success Factors of The Internal Audit**

Internal organization policies and encouragement, internal audit quality, management knowledge and support, and internal audit competence make up the four critical success criteria for internal audit performance (The Stock of Thailand, 2005). Therefore, senior 15 management support, an organization's culture and acceptance, the auditor's skill, and the completeness of the operating and information system make up the four critical success factors of the internal audit performance (Usana, 2009). It's important to note that soft factors, like senior management support, culture, honesty, and communication, are frequently seen as crucial success factors for internal control assessment projects (Macro and Giuseppe, 2003).

### **2.2.12.1 Internal organization**

To enable the company to maximize value creation given its resources and market prospects, management choices on the boundaries, internal organization, and internal processes for aligning incentives of all stakeholders are crucial. Who decides what, who handles what information, and whether or not someone's aims are in line with the company's goals are all determined by internal organization. The volume of information in each business unit and the requirement for coordinated decisions across units must be traded off in any organizational structure. Because of economies of scale and scope, per unit expenses fall as businesses grow in size. However, as the firm expands, numerous principal-agent issues manifest themselves that cause residual loss (Lidija Polutnik, 2015).

### **2.2.12.2 Internal Audit Quality**

Internal Audit Quality exhaustively addresses the Institute of (Internal Auditors'(IIA), 2020) International norms for the Professional Practice of Internal Auditing. With all eyes on internal audit, you need to understand stakeholder prospects and communicate success measures that demonstrate quality. The thing of Internal Audit Quality is to help principal audit directors and internal auditors with embedding quality into all rudiments of internal audit, from strategic and functional planning down to day- to- day tasks. It provides a frame for developing a Quality Assurance and Improvement Program (QAIP) that simplifies and strengthens the internal assessment process. You'll learn how to design internal audit processes to stylish meet the requirements of your association and to bed performance assessment into diurnal conditioning.

By creating a system of ongoing quality assurance, you'll be suitable to apply maturity models, balanced scorecards, and other ways to meet your association's need for a high- quality internal audit function (Sally- Anne Pitt, 2023). Internal Audit Quality contains coffers for precipitously enhancing the quality of internal audit ways for understanding stakeholder prospects of quality and value More practices and advice from global internal audit leaders crucial performance pointers for measuring internal audit's success Processes for conforming with professional norms QAIP hints for bedding quality insure that internal audit processes are developed in line with the rearmost professional norms and stylish practices and that your function exceeds your association's prospects for quality, performance, and value( Sally- Anne Pitt, 2023).

### **2.2.12.3 Management Support**

Numerous business sectors, including internal and external openings, can profit from operation support. Empower Group's tested approach and experience will guarantee that you do not miss any openings to increase your association's elevation and profitability through original discovery, planning, resource operation, perpetration, measuring, and monitoring (Empower Group's, 2013). The Empower Group platoon will lay out the coffers needed to strategically grasp each occasion. Some of the most common operation Support Contribute to Audit Quality and to understand successful practices to strengthen the audit process are;

**Optimize operation's processes to support the audit.** The better operation establishes and executes its own internal processes for planning, managing and supporting the audit, the smoother the audit is likely to run (Taryn Abate, 2018). These processes may include

- I. easily defining and communicating platoon places 17
- II. Delegating liabilities to all members involved in supporting the audit
- III. Having a schedule to support timely responses to adjudicator requests
- IV. Holding internal planning meetings to prepare for the audit
- V. Holding meetings during and after the audit to seek feedback and ameliorate the audit process in the future.

**consolidate planning between auditor and management.** Valuable information can be handed to the adjudicator during the planning phase of the audit to help set the audit up for success. operation has an intimate understanding of its reality and the terrain in which it operates and can give perceptivity with respect to pitfalls and any significant changes that have passed during the time. Holding a planning meeting with the auditor before the audit begins allows for information sharing and provides an occasion to bandy agreed- upon timelines (Taryn Abate, 2018).

The vast maturity of repliers, according to Taryn Abate (2018), believed their auditor had a thorough mindfulness of the reality's fiscal reporting enterprises. still, some repliers believed their auditor' precedence didn't always coincide with threat areas noted by operation. Many repliers admitted they were ignorant of the length of time their external adjudicator spent on any particular auditing work or the explanation behind why specific conditioning were being carried out. further

than half of the repliers said that if auditor spent further time questioning operation, they would have a better understanding of the company.

These findings punctuate an occasion for both the adjudicator and operation to ameliorate communication and therefore increase engagement in the audit process. Some operation expressed a desire for more detailed post-audit feedback, which can be pirated by planning in advance and may enhance the value of the current audit and lead to lesser edge in unborn checkups (Taryn Abate, 2018).

**Enhance communication between adjudicator and operation.** Establishing a transparent relationship with two- way, ongoing communication throughout the audit builds lesser engagement on the part of operation and may further support an effective, effective and advanced quality audit, serving both operation and the adjudicator (Taryn Abate, 2018).

## **2.3 EMPIRICAL REVIEW**

The main aim of this research is to assess the practice of Internal Audit in the views of different authors and the researcher's ideas and recommendations regarding the related content of internal audit. In Ethiopia, different researches have been conducted on IAE. similar as (Mihret & Yismaw, 2007); (Mihret & Woldeyohannis, 2008); (Mihret et al., 2010); (Hailemariam, 2014). (Mihret & Yismaw, 2007) studied on IAE by using Ethiopian advanced educational institutions as a case study. They've formulated a model with audit quality, management support, organizational setting a trait of the auditees as a trait of IAE. The finding revealed that internal audit quality and operation supports are the main factors that affect IAE. In discrepancy, organizational setting and auditees attributes haven't significant impact on IAE. Either (Mihret & Woldeyohannis, 2008) conducted case study research in an Ethiopian public sector.

This study assessed the value- adding part of the Internal Audit Function in an Ethiopian public sector. The value- adding part of the Internal Audit function is determined by the perception of auditees and internal auditors. They set up that the traditional/ compliance audit is dominant in the association under study in discrepancy to value- added auditing. Internal Audit Effectiveness, on the other hand, stands for the function's capability to achieve the objects of the function. Also (Mihret et al., 2010) examines factors that are associated with the trait of IAF. He used logical check responses of 188 CIA and internal auditors from ministers, state- possessed enterprises, and

private companies. He founds that in associations where the part of IA is easily defined, high-threat profile and IA is largely linked with external inspection has good internal audit quality. (Hailemariam, 2014) also studied on “Determinants of internal audit effectiveness in the public sector offices”. The researcher founds that management support, acceptable and competent internal audit staff, and the presence of an approved duty has a positive and significant impact on IAE. On the other hand, operation perception and organizational independence has a positive relationship but they've no significance to IAE. 16 (Kedir et al., 2014) in their composition entitled Internal auditing standards and its practice the case of East Arsi Zone, Ethiopia presented the result of their case study that estimated the current practices of internal auditing in the internal audit departments of named public enterprises in East Arsi Zone, Ethiopia as compared to major internal audit ethics.

The aim of the study was to probe how major internal audit norms are applied in the internal inspection departments of named public enterprises in East Arsi Zone of Ethiopia, taking faculty, compliance, independence, threat operation, and quality assurance as major parameters of the IIA standard for comparison.

The result of the study showed that the scope of the Internal Audit function in the enterprises surveyed didn't yet go far from the traditional practices and important time is devoted to performing fiscal and compliance audits. Regarding the quality assurance program, none of the separate public enterprise “ s audit departments have quality assurance programs. therefore, the researcher concluded that the named public enterprises should be suitable to develop quality assurance programs. (Fekadu Bethlehem, 2009), conducted research on Internal Audit Practices

A Case of Ethiopian Governmental Higher Educational Institutions for the purpose of probing grueling factors that have told the Ethiopian advanced governmental institution's internal audit practices. The study was done on four universities, Adamma, Hawassa, Hara maya, and Addis Ababa Universities. Seven Internal Auditors who were named using convenience slice ways were used as the data source and open- concluded and unrestricted- concluded questionnaires were used as data gathering tools. also, qualitative approaches were employed to dissect and interpret the filled- in data. The findings of the study showed that IAAs in the sample Universities demanded the following none of the sample universities have established the audit commission, their Internal

Audit Departments weren't sufficiently resourced that affected their effectiveness, no experimental programs for their internal auditors, threat-grounded internal inspection plans weren't established and none of the separate universities audit departments have quality assurance program including the internal and external quality assessment processes as needed. Proper operation commitment and other organizational factors were critical factors impacting the effectiveness of IAF in the separate universities.

The exploration concluded that proper operation commitment, lack of capacity development programs for internal auditors, and other organizational factors were critical factors impacting the effectiveness of IAF in the separate universities. To palliate those problems, it was recommended that management and 17 the audit division of the separate universities have to work concertedly to ameliorate the IAF of their separate universities as per conditions of transnational norms (Fekadu Bethlehem, 2009). (Tsegaye, 2018) conducted research on The Internal Audit practices in private marketable banks of Ethiopia with a general ideal of assessment of internal audit practice. The research was concentrated on five private banks that were named by using the intentional sampling system. The qualitative and quantitative data types were applied in the study. And the data were gathered by using questionnaires and document review.

The result revealed that, the current practices of Internal Audit in Private marketable Banks of Ethiopia through taking the Mandatory Guidance conditions of IPPF as a standard could be epitomized into three groups factors of norms that fairly complied, didn't adequately misbehave, and inadequately (below the expectation) complied within the named private banks.

The being healthy conformance with certain obligatory Guidance conditions of the IPPF should be kept up and goes to the sound conformance position by all rudiments. And incipiently, it was attached with poor below the anticipation/ conformance, the Quality Assurance, and Improvements Program standard. The experimenter recommended that the being shy conformance have to make advancements until it satisfies the requirements of all stakeholders; and, the Quality Assurance and Improvements Program( QAIP) standard; should be carried out duly by all Private marketable Banks of Ethiopia were the given ways to curve all wrong conformances of the obligatory guidance conditions by private marketable banks of Ethiopia.( Mulugeta, 2008) conducted research on Internal Audit Reporting Relationship in Ethiopian Public Enterprises With objects of assaying the

reporting line of internal audit and probe its relationship with internal audit compass, independence, good governance, and inspection commission. He conducted the check study on named Ethiopian public enterprises and recommended possible ways to manage up with the problems linked in the exploration to promote the good image of the Internal inspection profession.

The results of the check showed that the functional reporting lines in practice weren't always organized according to the theoretical hypotheticals, particularly in ETC( at Zonal and indigenous position) and Zequala sword rolling plant; internal inspection has been seen as outside the operation structure( stranger) and board members are ministers who have several other liabilities so that they don't have sufficient time to deal with the oversight of the internal inspection function; the Ethiopian public enterprise's Internal inspection compass is more limited on the verification of fiscal sale( Financial inspection), 18 compliance inspection, assessments of internal control, and fraud disquisition.

The experimenter perfected his study by recommending corrective conduct to address the sins linked. (Ali, 2011) has conducted exploration on Internal Audit and threat assessment in Ethiopian public enterprises with a general ideal of seeing internal inspection function “ s donation to threat assessment. This exploration paper examined internal auditing and threat assessment in the Ethiopian public enterprise environment using 20 purposefully named public enterprises. A mixed exploration approach was used and the data were collected by using questionnaires and document review.

Results of the check showed that all public enterprises have an Internal inspection function that performs; functional inspection which requires utmost coffers and compliance inspection as a alternate important inspection type; the quantum of inspection coffers devoted to threat assessment reveals the relative applicability of each kind of exertion. Results of the exploration showed that numerous Ethiopian public enterprises had introduced a formal threat assessment process in their internal inspection function, and many enterprises were on the way to introduce a formal threat assessment process.

Hence, the exploration recommended that internal inspection functions that didn't incorporate control threat tone- assessment will be better off by incorporating it as part of the compass of operation of their separate IAAs for effective threat assessment. therefore, this study will be

salutary in terms of the decision timber of the board of directors, inspection commission of the association, and other nonsupervisory bodies.

The experimenter critically reviewed and anatomized different kinds of literature that are related to this exploration. In order to present the assessment of Internal Audit Practice in the Insurance industries, that literature fluently understands the factors that assess the Internal Audit Practices, similar as Internal inspection Quality, Organizational setting, Approved Audit chartered, operation support, and Resource vacuity are successionaly presented hereunder.

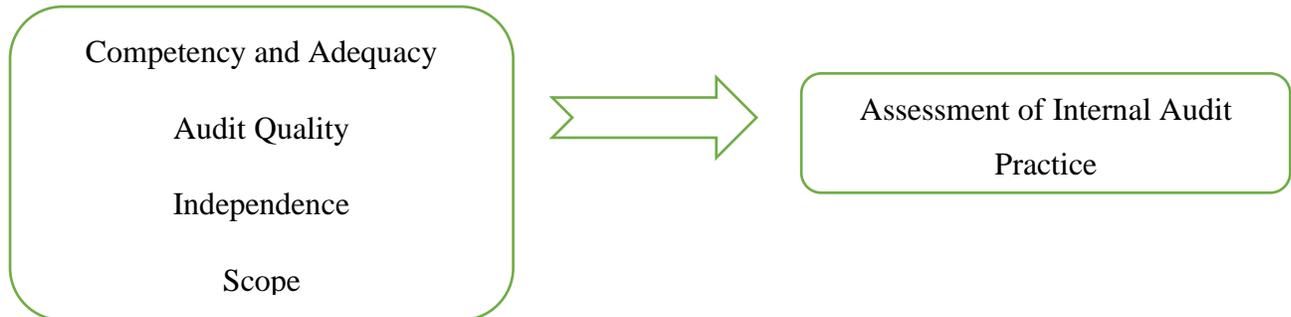
### **2.3.1 The Research Gap**

In general, the literature review indicates that internal auditing role is wide. Within the context of improving risk management, control and governance processes, and the type of work undertaken to add value to an organization will vary greatly. Besides internal audit effectiveness is strongly influenced by internal audit quality and management support Mihret and Yismaw (2007) Hence, IA effectiveness does play a role in ensuring effective management in public sector there is needs to enhance the technical proficiency of the internal audit staff and minimize staff turnover so as to foster audit effectiveness. The organizational status and internal organization of the internal audit office are fairly rated, but internal audit's lack of authority on budgets reduces its control of resource acquisition and utilization, improvement in the areas of audit planning, documentation of audit work, audit communications and follow-up of recommendations. In additions, the lack of attention by management may send a wrong signal about the importance of internal audit services to the auditee, which in turn adversely affects the auditee attributes (Mihret and Yismaw,2007).

The review of empirical studies reveals that most of the studies are outside Ethiopia. There are few studies on internal audit practices in Ethiopia but they focused on governmental organizations. Accordingly, the researcher attempted to carry out this study for the reason that it is unexplored area in private commercial Banks in Ethiopia in general and Particularly in Selected Private Bank. Therefore, examining the Internal Audit effectiveness helps in promoting effective corporate governance and performance of the organization and could fill the gap to the literature in general in Ethiopian context.

### 2.3.1 The Conceptual framework

The conceptual framework is a diagrammatic representation of the study variables. In other words, the framework outlines how the variables interact. Figure 1 illustrates conceptual frameworks for this study.



Source- Developed from preliminary literature review

The conceptual framework indicates that there are four different variables which include competency and adequacy of internal auditors, scope of the audit work, internal audit quality, and level of independence of auditors to assess the internal audit effectiveness.

## **CHAPTER THREE**

### **3 RESEARCH METHDOLOGY**

#### **3.0 INTRODUCTION**

This chapter focus on how the research were answered, method that were employed at this research, source of data, how the data collected and how to analysis a data.

#### **3.1 RESEARCH APPROACH**

This study used both quantitative and qualitative data collection approach because it includes a range of methods such as documentation, questioner and observation. As the combination of qualitative and quantitative approaches provides the most complete or insightful understanding (Rwegoshora, 2006) this research was expected to provide better understanding of the raised research problems. According to Creswell, 2003 it can also provide better opportunities for testing alternative interpretations of the data, for examining the extent to which the context helps to shape the results and for arriving at convergence in tapping a construct.

#### **3.2 RESEARCH DESIGN**

The researcher used mix approach that is going to be used in given research. Those are the mix of quantitative and qualitative. Quantitative research design focused on primary data on the construction of quantitative data such as; systematic record that consist of number construct, testing objective theory by examining the relationship among variables and using questionnaires of the participants. Qualitative research design focused on exploring and understanding the individual or group or human problem by using the open- ended interview of the Commercial Nominees PLC employees and department manager. The researcher used the mix approach way of research design to gather the information of the research project (Would Beiam, 2005).

### **3.3 SOURCE OF DATA**

The researcher used two sources of data to accomplish this research. These are primary and secondary sources of data. The primary source of data obtained through; questionnaire and interviewing of the internal auditors of the organization. The secondary source of data obtained through document analysis and observation of written materials.

### **3.4 THE SAMPLE DESIGNING**

The sampling design is technical that collected through the study of non-probabilities. The researcher used judgmental sampling techniques. This technique enabled the researcher to get accurate and sufficient information. Besides, it helped the researcher to generate reliable and accurate information using these techniques, to get an appropriate or relevant response from respondents. The study conducted in internal auditor department. There are 12 employees working in the organization in this department directly related with internal auditing. The questionnaires distributed in judgmental sampling techniques for currently working internal auditors in Commercial Nominees PLC Head Office.

### **3.5 METHOD OF DATA COLLECTION**

The researcher used questionnaires both open ended and close ended questions because those questionnaires enabled the researcher to obtain fairly straight forward information, concise, brief and uncontroversial as well as for standardized data from identical questions. A primary data source collected from the internal auditors and the department manager of the organization. Data collected by distributing questionnaires. And also, secondary source of data obtained from documents, books and the internet.

### **3.6 METHOD OF DATA ANALYSIS**

The researcher used analyze editing, coding and tabulation. Editing is used to involve the inspection of questionnaire on a raw data necessary action of each questionnaire and detecting the most glaring omission inaccuracies in detail. Coding is a technical procedure by which data are categorized through coding, the raw data to transfer in the symbol usually numerals. This can be due by specifying the categories in to which remains to be placed.

This was through developing critical set standards to each question.

The data available from the employees of the organization analyzed qualitatively. Tabulation consists of simply counting the number that focused fall in to various categories. It communicates that the result of studies can be used for several purposes. (That means to calculate summary statistics). Tabulation is done by hand. It facilitates determining the empirical distribution. Variable frequencies are numerated in each table for calculation of various statics and communicative distribution function employed to observe with less than or equal to specify quantity determination.

## CHAPTER FOUR

### 4. DATA ANALYSIS AND PRESENTATION

This chapter is concerned with the characteristics of sample size, the presentation as well as analysis of data gathered through questionnaire and interview. The data collected is going to be analyzed and presented in the table form and it is appropriate to interpret each data which are presented in table form.

#### 4.1 DISCUSSION AND DATA ANALYSIS

This chapter presents the result and analysis done on internal auditing practice in Commercial Nominees PLC Head Office. This discussion covers both the attribute standard and performance of internal auditors. A total of 12 questionnaires were distributed to respondents that are working in Commercial Nominees PLC Head Office. These 12 questionnaires are filed properly and for warded. The data gathered in the two methods that are questionnaires and interview and analysis made on is presented on the following section.

**Table 4.1 Internal auditors in Commercial Nominees PLC program**

statement	responses	no respondents	percentage %
1.The internal auditor in Commercial Nominees PLC an appropriate continuing educational program?	strongly agree	2	16.67
	agree	3	25
	neutral	2	16.67
	disagree	5	41.67
	strongly disagree	-	-
	Total	12	100

Source 2024 from questionnaire

Depending on the table 4.1 the researcher can understand as the response of internal auditors in Commercial Nominees PLC are mostly not gives appropriate educational program to their internal auditor workers. As clearly shown the table 4.1 majority of the respondents are disagree on the

statement on no (1), 5 out of 12 which is 41.67 % of the respondents are disagree 3 out of out of 12 which is 25% of the respondent are agree and 2 out of 12 which is 16.67% of the respondents are strongly agree, the rest 2 which is 16.67% of the respondents are neutral.

This indicates a division opinion with a slight tilt towards disagreement among surveyed internal auditors regarding the adequacy of continuing educational program. Therefore, based on the above table in Commercial Nominees PLC most of the time there is no educational program to internal auditors.

**Table 4.2 Internal audit procedures in Commercial Nominees PLC**

1. In Commercial Nominees PLC internal auditor use reliable documentation for describing the company’s system as the bases for his procedural test, such as flow chart and company procedure manual?	strongly agree	6	50%
	agree	4	33.3%
	neutral	2	16.67%
	disagree	-	-
	strongly disagree	-	-
	<b>Total</b>	<b>12</b>	<b>100</b>
2. Does the principle of internal auditor practice is applied in Commercial Nominees PLC?	strongly agree	3	25
	agree	8	66.67
	neutral	1	8.3
	disagree	-	-
	strongly disagree	-	-
	<b>Total</b>	<b>12</b>	<b>100</b>

Source 2024 from questionnaire

Based on the above No 1 more of the respondents are strongly agree and agree on question no (4) 6 out of 12 which is 50% of the respondent is strongly 4 out of 12 which is 33.3% of the respondents is agree the left of 2 which is 16.67% of the respondents is neutral.

The majority of respondents (83.3%) either strongly agree or agree that internal auditors in commercial nominees PLC use reliable documentation for describing the company's system as the basis for their procedural tests. This suggests that the internal auditors in the organization are largely perceived as utilizing dependable resources for their auditing processes. A small portion remains neutral respondents expressed disagreement.

According to the above table the researcher understands that internal auditors in Commercial Nominees PLC are use reliable documentation procedural tests such as flow chart and company procedural manual form based on internal audit procedure.

As clearly shown No2 most of the respondents are agree on the statement on no (13) this indicates 8 out of 12 which is 66.67 to of the respondents are agree, 3 out of 12 which is 25% of the respondents are strongly agree, 1 out of 12 which is 8.3% of the respondents are neutral.

Therefore, the majority of the respondents (91.67%) either strongly agree or agree that the principle of internal auditor practice is applied in commercial Nominees PLC. This indicates a strong consensus among the surveyed individuals that internal auditor practices are effectively implemented within the organization. Only small portion remains neutral and no respondents expressed disagreement. we can understand that the internal auditors in Commercial Nominees PLC are applied principle of internal audit practice and procedures in the company.

**Table 4.3 internal audit independence in Commercial Nominees PLC**

<b>statement</b>	<b>responses</b>	<b>no respondents</b>	<b>percentage %</b>
<b>1.</b> The internal audit Commercial Nominees PLC free from conflicting duties and able intestate any area?	strongly agree	4	33.3
	agree	5	41.67
	neutral	2	16.67
	disagree	1	8.3
	strongly disagree	-	-
	<b>Total</b>	<b>12</b>	<b>100</b>
<b>2.</b> The Internal auditor of Commercial Nominees PLC exercise due professional care in performing internal audit?	strongly agree	5	41.67
	agree	6	50
	neutral	1	8.3
	disagree	-	-
	strongly disagree	-	-
	<b>Total</b>	<b>12</b>	<b>100</b>
<b>3.</b> What is the internal audit working quality in terms of independence Commercial Nominees PLC?	high	6	50
	medium	6	50
	low	-	
	<b>Total</b>	<b>12</b>	<b>100%</b>

Source 2024 from questionnaire

The No1 show that 5 out of 12 which is 41.67% of the respondents are agree, 4 out of 12 which is 33.3% of the respondents are strongly agree, 2 out of 12 which is 16.67.3% of the respondents is disagree. The rest one which is 8.3% of the respondent is neutral.

Therefore, the majority of respondents agree with the statement that internal auditor is possible to understand that internal auditors in Commercial Nominees PLC free form conflicting duties and able to investigate any area.

From the above No2 shows that 6 out of 12 which is 50% of the respondents are agree, 5 out of 12 which is 41.67 of respondents are gives answer strongly agree, 1 out of 12 which is 8.3% respondents are gives the answer neutral. Therefore, the majority of the respondents (91.67%) either strongly agree or agree that the internal auditors in Commercial Nominees PLC are exercising due professional care to performing internal audits.

As the above No3 shows that 6 out of 12 which is 50% of the respondents are gives answer high, 6 out of 12 which is 50% of the respondents gives answer medium therefore we can understand internal auditors in Commercial Nominees PLC highly in dependence.

Generally, in Commercial Nominees PLC internal auditors are impartial, unbiased attitude and avoid any conflict of interest, with most respondents acknowledging the audit's freedom from conflict, professional care and independence. Therefore, in Commercial Nominees PLC internal audit procedure is applied properly in terms of independence.

**Table 4.4 internal auditor profession in Commercial Nominees PLC**

<b>statement</b>	<b>responses</b>	<b>no respondents</b>	<b>percentage %</b>
<b>1.</b> The internal auditor Commercial Nominees plc is competence in dealing with people and in communicating effectively?	strongly agree	6	50
	agree	6	50
	neutral	-	-
	disagree	-	-
	strongly disagree	-	-
	<b>Total</b>	<b>12</b>	<b>100</b>
<b>2.</b> In Commercial Nominees plc the internal auditor develops their skill with continues professional training?	strongly agree	4	33%.3
	agree	5	41.67
	neutral	2	16.67
	disagree	1	8.3
	strongly disagree	-	-
	<b>Total</b>	<b>12</b>	<b>100</b>
<b>3.</b> In Commercial Nominees plc internal auditor department has enough budget to carry out its activity?	strongly agree	6	50
	agree	5	41.67
	neutral	1	8.310
	disagree	-	-
	strongly disagree	-	-
	<b>Total</b>	<b>12</b>	<b>100</b>

Source 2024 from questionnaire

As clearly show in No1 all respondents are strongly agree and agree on the statement Indicated 6 out of 12 which is 50% of respondents are strongly agree, 6 out of 12 which is 50% of respondents are agree.

Based on the above table the researcher understands that internal auditor is competent in dealing with people and communicating effectively, with an equal split between strongly agreeing and agreeing. There is unanimous positive feedback and no negative or neutral response, indicating strong confidence in the auditor's interpersonal and communication. the competence of internal auditors in Commercial Nominees plc have enough level of competence to work internal audit in proper manner.

The above No2 that 5 out of 12 which is 41.67% of the respondents are agree, 4 out of 12 which is 33.3% of the respondents are strongly agree, 2 out of 12 which is 16.67% of the respondents are neutral, the rest 1 which is 8.3% of respondents is dis agree,

From the above table the researcher understands that most of the respondents (75%) agree that the internal auditor develops their skills through continuous professional training. A significant minority are neutral and a small percentage disagree. Therefore, the overall perception is positive, there is some room for improvement in ensuring consistent professional development for all auditors.

As No3 shows that 6 out of 12 which is 50% of the respondents are strongly agree 5 out of 12 which is 41.67% of respondents are agree, 1 out of 12 which is 8.3% of respondents is neutral.

Depend on the above table the majority of respondents (91.67%) believe that the internal auditor department has enough budget to carry out its activities, there are no negative responses, suggesting general satisfaction with the budget allocation for the department in Commercial Nominees plc internal audit department has enough budgets to perform their audit work.

Generally, the data reflects a generally positive perception of the internal auditor's competence in dealing with people, communication, professional development, and budget adequacy. However, there are minor concerns regarding continuous professional training and budget sufficiency that could be addressed to improve overall satisfaction.

**Table 4.5 internal auditors audit plan in Commercial Nominees plc**

<b>statement</b>	<b>responses</b>	<b>no respondents</b>	<b>percentage %</b>
1. Internal audit programs in Commercial Nominees plc are regularly revised to cover changes?	strongly agree	2	16.67
	agree	7	58.3
	neutral	3	25
	disagree	1	-
	strongly disagree	1	-
	<b>Total</b>	<b>12</b>	<b>100</b>
2. In Commercial Nominees plc the internal auditors prepare working paper to recorded test carried out, the result of rest and conclusions drawn in Commercial Nominees?	strongly agree	5	41.67
	agree	4	33.3
	neutral	3	25
	disagree	-	-
	strongly disagree	-	-
	<b>Total</b>	<b>12</b>	<b>100</b>
3. In Commercial Nominees plc the internal control system under the safeguarding of asset is effective?	strongly agree	1	8.3
	agree	3	25
	neutral	2	16.67
	disagree	6	50
	strongly disagree	-	-
	<b>Total</b>	<b>12</b>	<b>100</b>
4. In Commercial Nominees plc internal auditor review operation or programs to ascertain with the result are consistent with established objective and goals and whether the operations are being caring out as planed?	strongly agree	2	16.67
	agree	9	75
	neutral	1	8.3
	disagree	-	-
	strongly disagree	-	-
	<b>Total</b>	<b>12</b>	<b>100</b>

5. The financial audit division head examines the control over all accounting operation which material affect the financial?	strongly agree	2	16.67
	agree	6	50
	neutral	3	25
	disagree	1	8.3
	strongly disagree		
6. In Commercial Nominees plc internal audit gives consulting service to the management?	<b>Total</b>	<b>12</b>	<b>100</b>
7. In Commercial Nominees plc internal audit gives consulting service to the management?	strongly agree	2	16.67
	agree	6	50
	neutral	-	-
	disagree	4	33.3
	strongly disagree	-	-
	<b>Total</b>	<b>12</b>	<b>100</b>

Source 2024 from questionnaire

As clearly shown the table on No1 most of the respondents are agree in statement indicated that 7 out of 12 which is 58.3% to of the respondents are agree, 3 out of 12 which is 25 to of the respondents are neutral and the rest of 2 which is 16.67% to of the respondents are strongly agree. Based on the respondent's answer the majority of respondents strongly or agree that internal auditor in Commercial Nominees plc regularly revised the programs to change the client systems.

The above table on No2 shown majority of respondents strongly agree on the statement implied that 5 out of 12 which is 41.67% of respondents strongly agree, 4 out of 12 which is 33.3% of respondents agree, 3 out of 12 which is 25 to of respondent's neutral from the

above table the researcher understands that internal auditors in Commercial Nominees plc has enough level of practice to prepare working paper documentation and report.

As clearly shown the above table on No3 the majority of the respondents disagree for the statement implied that 6 out of 12 which is 50% of the respondents disagree 3 out of 12 which is 25% of the respondents agree, 2 out of 12 which is 16.67% of the respondent's neutral, 1 out of 12 which is 8.3% of the respondent strongly agree as indicated the above table in Commercial Nominees plc there is not enough appropriate control of safeguarding of asset as the respondents' answer.

The above on No4 shows the majority of the respondents agree for the statement indicated that 9 out of 12 which is 75% of the respondents are agree, 2 out of 12 which is 16.67% of the respondents are strongly agree, 1 out of 12 which is 8.3% of the respondents are neutral. As implied the above table the researcher understood internal auditors established programs, objectives and goals in proper plane therefore internal auditors in Commercial Nominees plc activity are based on internal audit procedure to perform audit work.

As clearly shown on No5 most of the respondents agree on the statement indicates that 6 out of 12 which 50% of the respondents agree 3 out of 12 which is 25% of the respondent's neutral, 2 out of 12 which 16.67% of the respondents strongly agree, the rest 1 which is 8.3% of respondent dis agree.

As indicated the above table the researcher understand that the financial audit division head is properly control all accounting operation financial system in Commercial Nominees plc.

As clearly shown on No6 most the respondents agree on the statement indicated that 6 out of 12 which is 50% of the respondents are agree, 4 out of 12 which is 33.3 to of respondents, disagree 2 out of 12 which is 16.67 to of the respondents are strongly agree, based on the above table mostly the internal auditors are gives consulting service to the manger in Commercial Nominees plc.

Based on the above table the data shows a strong agreement among respondents on the regular revision of audit programs, the preparation of working papers and the review of operations by internal auditors. However, there are concerns about the effectiveness of interna control system for safeguarding assets, as 50% respondents disagreed with its effectiveness. Overall, the internal audit function appears to be well-integrated and active in various roles, including consulting services to management.

**Table 4.6 internal audit report in Commercial Nominees plc**

<b>statement</b>	<b>responses</b>	<b>no respondents</b>	<b>percentage %</b>
<b>1.</b> In the internal audit department of the Commercial Nominees plc operation divisions head report identify weakness and recommendation for improvements?	Strongly agree	2	16.67
	agree	8	66.67
	neutral	1	8.3
	disagree	1	8.3
	strongly disagree	-	-
	<b>Total</b>	<b>12</b>	<b>100</b>
<b>2.</b> In Commercial Nominees plc the financial audit head prepare activities report and submitted to management and to the board?	strongly agree	6	50
	agree	4	33.3
	neutral	1	8.3
	disagree	1	8.3
	strongly disagree	-	-
	<b>Total</b>	<b>12</b>	<b>100</b>

Source 2024 from questionnaire

Depending on the above Table on no 1 most the respondents agree on the statement indicated that 8 out of 12 which is 66.67% of respondents are agree, 2 out of 12 which is 16.67% of respondents strongly agree, 1 out of 12 which is 8.3 to of respondent dis agree, 1 out of 12 which is 8.3% of respondent is neutral.

Therefore, the internal audit department in Commercial Nominees plc gives accurate recommendation to the management to improve his weakness.

Based on the above table management takes correction action from internal auditor to improve his weakness, as we seen the statement under no (2) most of the respondents strongly agree 6 out of 12 which is 50% of the respondents strongly agree, 4 out of 12 which is 33.3% of respondents agree 1 out 12 which is 8.3% of respondent neutral the rest 1 which is 8.3% of respondents disagree.

Depend on the above table the financial audit head prepares accurate reports to the management and to the board at the right time.

Generally, the data reflects a generally positive perception of the internal audit processes at commercial Nominees PLC, specifically in identifying weaknesses, providing recommendation for improvements, and the preparation and submission of activity reports. However, there are small fraction of respondents who are either neutral or disagree, suggesting areas for potential enhancement in communication and reporting process

**Table 4.7 Internal auditing management action in Commercial Nominees plc**

1. In Commercial Nominees plc management takes corrective action based on the internal auditor recommendation?	strongly agree	3	25
	agree	6	50
	neutral	2	16.67
	disagree	1	8.3
	strongly disagree	-	-
	<b>Total</b>	<b>12</b>	<b>100</b>
2. In Commercial Nominees plc management support the internal audit department?	strongly agree	3	25
	agree	7	58.3
	neutral	2	16.67
	disagree	-	-
	strongly disagree	-	-
	<b>Total</b>	<b>12</b>	<b>100</b>

Source 2024 from questionnaire

For the statement indicated under no (1) 6 out of 12 which is 50% of respondents agree, 3 out of 12 which is 25% of the respondents strongly agree, 2 out of 12 which is 16.67 of respondent's neutral, 1 out of 12 which is 8.3% of respondent disagree.

Therefore, the majority of the respondents (75%) either agree or strongly agree that managements take corrective action based on the internal auditor's recommendations and minority who believe that management does not take corrective action based on internal audit recommendations.

As show the above table the statement on (2) indicated that 7 out of 12 which is 58.3% of respondents agree, 3 out of 12 which is 25% of the respondents strongly agree, 2 out of 12 which is 16.67% of respondent's neutral.

Therefore, the majority of the respondents either strongly agree or agree that management support the internal audit department, no respondents disagree that indicates there is at least some level of support from management for the Internal audit department.

Generally, the researchers understand that in Commercial Nominees plc there is a good relationship between internal auditor and management. Therefore, in Commercial Nominees' plc internal auditor work is performing in proper way.

## **4.2. DATA COLLECTED FROM INTERVIEW**

The Commercial Nominees plc internal audit department manager or head of department was given answer all interview questions. His job position in the organization is an operational department Head of internal auditors. And He was joining the institution; his educational qualification is B.A Degree in accounting and finances his service year in the organization is 6 years. As per the interview conducted though the organization some of the necessary formats were;

**1.**The service internal auditors in the organization as well as in Commercial Nominees Plc According to manger perspective established consulting serves, policies and procedures to guide the internal audit activity.

According to auditor's perspectives internal auditing controls; - auditors might evaluate the efficiency and accuracy of processing payroll transaction in newly installed system. Improving the operations.

Recoding Classifying and summarizing the economic events.

Proved information system for decision making.

Safeguarding asset and record ...etc.

**2.** How do you evaluate the potential audit personnel in the organization?

According to the Commercial Nominees plc department manager response the system of evaluating in the organization internal audit and pre- Risk audit of the systems is effective in the Commercial Nominees plc

**3. What are the responsibilities of the auditing Department?**

According to the Commercial Nominees plc manager, the responsibilities of the internal auditors.

Conducting searching of miss statement of the internal auditing activities on the yearly bases of evaluates the system.

Evaluating the performance of the effective of the internal auditing on the safeguarding of assets, operational system and financial system.

Plan the audit and determine the nature, timing and existence of tests to be performed.

Protect or detect the Commercial Nominees plc asset from theft, Fraud and embezzlements of the system.

**4. What rule and Regulation the Commercial Nominees plc is fallow up to identify the audit problem?**

According to the Commercial Nominees plc audit department manager the organization is fallow up to identify the audit problem or to evaluate the audit problem in the yearly basis.

**5. Does the auditing in your organization is effective or note?**

In Commercial Nominees plc auditing activity is going to perform the organization in effective and efficient manner.

According to the manager response, adequate separation of duties authorization of in transaction from the custody of the related assets, operational Responsibilities from the record keeping documentation and records, safeguarding of assets, prevent or detect fraud and errors, discharge Rule and Regulations and effectiveness's of the operation in the Commercial Nominees plc.

### **4.3. SECONDARY SOURCE FROM COMMERCIAL NOMINEES' PLC INTERNAL AUDIT DOCUMENTS**

In Commercial Nominees plc auditing activities is going to perform the company objectives and competences are done based on internal audit procedures, plans and programs. In Commercial Nominees plc internal audit practice has good segregation of duties, responses, authorization of transaction from the custody of the related asset operational responsibilities from the record keeping documentation and records, safeguarding of asset, prevent or detect frauds, errors and embezzlements, discharge rule and regulations are perform in Commercial Nominees plc internal audit practice, but there is a weakness regarding to safeguarding of asset due to theft, improper or illegal activity. Therefore, as clearly shown the above document internal audit practice is relatively good in Commercial Nominees plc.

## **CHAPTER FIVE**

### **5. SUMMARY CONCLUSION AND RECOMMENDATIONS**

#### **5.0 INTRODUCTION**

This chapter focuses on the summary, conclusion of the finding and relevant recommendation.

#### **5.1. SUMMARY**

One of the key elements in ensuring business is to build a strong and efficient internal audit controlling system. Organizing internal auditing principles and systems for safeguarding resource of the organization as well as for good internal control in the organization. In order to achieve the planed objective, the method of data collection was survey based of the Commercial Nominees plc document and questionnaire distributed and interview. Data were presented and analyzed through descriptive analysis with simple statistical such as table and percentage.

#### **5.2. CONCIUSION**

Depending on the finding of the research, the following conclusions were made: - Internal auditing practice is one of the most important functions in any organization for undertaking different purpose; such as examining and controlling the organization's resource. In any area of an organization's activity must need internal auditing application consistently. In this research, data gathering methods are two. These are questionnaire and interview. From both questionnaire and interview the respondents agree for existence of enough auditing practice in Commercial Nominees plc. Therefore, internal auditing practice in Commercial Nominees plc is high.

Internal auditors in Commercial Nominees plc are independence (unbiased and impartial). Internal audit principal practice is applied properly in Commercial Nominees plc. But internal auditors in Commercial Nominees plc the survey of result also shows that could review the means of safeguarding assets.

This happened due to the weakness of internal auditor controls were authorized to review the means used to suffered asset from various types of lose such as those resulting from theft, improper or illegal activities.

Finally, when the researcher studied considers the analysis part, there is some problem in reliability of audit work accessibility for continuing educational program. The effect of this problem was reducing the quality and principle of audit work in the company.

### **5.3. RECOMMENDATION**

In conclusion, the following build suggestion and recommendation were made in the hope that they would minimize the problem identified in the study area.

- a) The internal auditor in Commercial Nominees plc have not appropriate containing education program. This low level of internal auditors continuing educational program affect the competence of internal auditors to be at low level. This affects the internal auditing work to be poor and decrease the quality of internal audit-work.
- b) To solve this problem, the auditor should have adequate opportunity for continuing educational program. To increase in competence of internal auditors and enhance the effective and efficiency of internal audit work.
- c) From the conclusion part the researcher understands that the audit work is relatively good but there is various type of loss such as those resulting from theft, improper or illegal activities. This implies that there is not good internal audit control system in Commercial Nominees plc regarding to safeguarding asset.
- d) To solve this problem, the auditor should make a strong internal control system and proper segregation of responsibilities in the company to reduce the loss of company resources.
- e) The researcher recommends that in Commercial Nominees plc, the document available for the users who use their document.
- f) Finally, the researcher understands that the internal auditors in the organization are not voluntary to give audit report for the researcher. This is difficult for the researcher to collect necessary data and to gate accurate information about the company. The researcher recommends that the organization should give accurate and reliable document, information and report for the researcher. Because the data needed by different parties for academic purpose and have no negative impact on the function of the organization.

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## APPENDIX

### Questionnaire

The purpose of this question is to collect relevant data from the study of “Assessment of internal audit practice “a case study in Commercial Nominees PLC to the department of accounting in partial fulfillment of the requirement the Degree of Masters of Arts in Accounting and Finance

#### General information

1. Please try to answer all questions obviously

❖ Sex  Male  F female

❖ Age 18 – 40  40 – 65  A above 65

Educational Statu  Diploma  Degree  Above Degree

1. Does the principle of internal auditor practice is applying in Commercial Nominees PLC?

Strongly agree  Agree  Neutral  Disagree

Strongly disagree

2. The internal audit Commercial Nominees PLC free from conflicting duties and able intestate any area?

Strongly agree  Agree  Neutral  Disagree

Strongly disagree

3. The Internal auditor of Commercial Nominees PLC exercise due professional care in performing internal audit?

Strongly agree  Agree  Neutral  Disagree

Strongly disagree

4. What is the internal audit working quality in terms of independence Commercial Nominees PLC?

High  Medium  Low

5. The internal auditor Commercial Nominees PLC is competence in dealing with people and in communicating effectively?

Strongly agree  Agree  Neutral  Disagree

Strongly disagree

6. In Commercial Nominees PLC the internal control system under the safeguarding of asset is effective?

Strongly agree  Agree  Neutral  Disagree

Strongly disagree

7. The financial audit division head examines the control over all accounting operation which material affect the financial?  
 Strongly agree  Agree  Neutral  Disagree  Strongly disagree
8. What is in Commercial Nominees PLC internal audit gives consulting service to the management?  
 Strongly agree  Agree  Neutral  Disagree   
 Strongly disagree
9. In the internal audit department of the Commercial Nominees PLC operation divisions head report identify weakness and recommendation for improvements?  
 Strongly agree  Agree  Neutral  Disagree   
 Strongly disagree
10. What is in Commercial Nominees PLC management support the internal audit department?  
 Strongly agree  Agree  Neutral  Disagree   
 Strongly disagree
11. The service internal auditors in the organization as well as in Commercial Nominees PLC  
 \_\_\_\_\_  
 \_\_\_\_\_
12. How do you evaluate the potential audit personnel in the organization?  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_
13. What are the responsibilities of the auditing Department?  
 \_\_\_\_\_  
 \_\_\_\_\_
14. What rule and Regulation the Commercial Nominees PLC is fallow up to identify the audit problem?  
 \_\_\_\_\_  
 \_\_\_\_\_
15. Does the auditing in your organization is effective or note?  
 \_\_\_\_\_  
 \_\_\_\_\_

**Thank You**